

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

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Productivity declines for the first time in a year

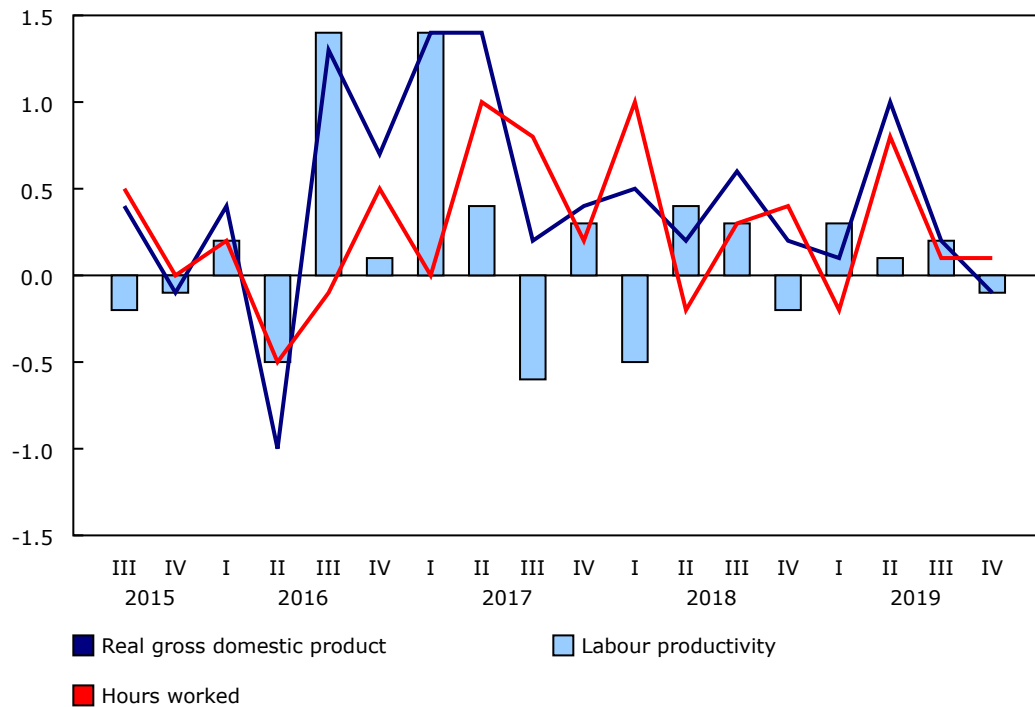
Labour productivity of Canadian businesses edged down 0.1% in the fourth quarter, after posting a 0.2% gain in the third quarter. This was the first decrease in a year.

Business output and hours worked were also little changed in the fourth quarter.

Chart 1

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

quarterly % change



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

Real gross domestic product (GDP) of businesses (-0.1%) declined slightly in the fourth quarter, after 13 consecutive quarters of growth. The decline in output was mostly the result of a decrease in goods-producing businesses (-0.6%), led by the manufacturing sector. Growth in the output of service-producing businesses (+0.4%) continued, but at a slower pace than in the previous quarter.

Hours worked in the business sector edged up 0.1% for a second consecutive quarter. The 0.3% increase in service-producing businesses more than offset the 0.5% decrease in goods-producing businesses. Overall, there were increases in 9 of the 16 main industrial sectors in the fourth quarter. Agriculture and forestry (+3.4%) and administrative services (+3.2%) posted the largest increases, while the mining, quarrying, and oil and gas extraction sector (-1.7%) and accommodation and food services (-1.7%) reported the largest declines.

In the fourth quarter, productivity was relatively unchanged, both in service-producing businesses (+0.1%) and goods-producing businesses (-0.1%).

At the sector level, agriculture and forestry (-4.5%) and administrative services (-2.5%) contributed the most to the overall decline in productivity in the quarter. Utilities (-1.7%), wholesale trade (-1.4%), and transportation and warehousing (-1.3%) also contributed to this decrease. These declines were largely offset by increases in accommodation and food services (+2.3%) and, to a lesser extent, information and cultural industries (+1.9%), real estate (+1.4%) and construction (+0.7%).

In the United States, labour productivity of businesses grew 0.3%, after edging down 0.1% in the previous quarter. In the fourth quarter, real GDP of American businesses grew at the same pace as in the previous quarter (+0.6%), while the increase in hours worked slowed to 0.3%, following an increase of 0.6% in the third quarter.

Growth in unit labour costs remains high

Labour costs per unit of output in Canadian businesses increased 1.0% in the fourth quarter, the same rate as in the previous quarter. This gain was largely attributable to a 0.8% increase in average compensation per hour worked, while productivity was relatively unchanged.

In the fourth quarter, hourly compensation grew 1.3% in goods-producing businesses, while it increased 0.7% in service-producing businesses. Overall, hourly compensation grew in 9 of the 16 main industrial sectors, while utilities were unchanged. The mining, quarrying, and oil and gas extraction sector (+3.7%), accommodation and food services (+3.3%), and manufacturing (+2.1%) posted particularly strong gains.

The average value of the Canadian dollar relative to the US dollar edged up 0.1% in the fourth quarter. As a result, unit labour costs in US dollars for Canadian businesses (+1.0%) increased at a pace similar to that registered when not adjusted for the exchange rate.

In comparison, unit labour costs of American businesses were up 0.4% in the fourth quarter, following a 0.6% increase in the third quarter.

Year 2019

For the year 2019, labour productivity of Canadian businesses grew 0.6%, after edging down 0.1% in the previous year. Real GDP of businesses (+1.4%) grew at a faster pace than hours worked (+0.9%). In 2018, the real GDP of businesses (+1.8%) and hours worked (+1.9%) increased at a similar rate.

In 2019, productivity in service-producing businesses rose 1.3%, after edging down 0.2% in 2018. This growth was mostly attributable to increases in wholesale trade, accommodation and food services, and administrative services. Productivity in goods-producing businesses declined 1.1%, mainly because of decreases in the mining, quarrying, and oil and gas extraction, and construction sectors.

In the United States, annual productivity growth of businesses was 1.7% in 2019, after increasing 1.3% during each of the previous two years. This was the highest annual increase in US productivity in nine years. In 2019, real GDP of American businesses (+2.7%) grew at a slower rate than in the previous year (+3.4%). At the same time, hours worked increased 1.0%—half the 2018 rate.

For Canadian businesses, unit labour costs rose 2.9% in 2019, following a 2.4% gain in the previous year. This increase was mainly due to growth in hourly compensation (+3.4%).

Expressed in US dollars at the average exchange rate, unit labour costs for Canadian businesses edged up 0.5% in 2019. By comparison, unit labour costs of American businesses were up 2.0%, a rate similar to that observed in the previous two years.

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 1997 at the aggregate and industry levels. These revisions are consistent with those incorporated in the annual benchmarks on provincial and territorial labour productivity and related measures, released on February 12, 2020. They are also consistent with those incorporated in the quarterly gross domestic product (GDP) by income and expenditure and monthly GDP by industry, released on February 28, 2020. In addition, indexes of all series at the aggregate level were subject to historical revision going back to 1981, as a result of revisions to the values for the 2012 reference year. However, the resulting growth rate revisions were negligible.

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 measure 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 first quarter of 2020 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 2017	First quarter 2018	Second quarter 2018	Third quarter 2018	Fourth quarter 2018	First quarter 2019	Second quarter 2019	Third quarter 2019	Fourth quarter 2019
	% change from the previous quarter								
Canada									
Labour productivity	0.3	-0.5	0.4	0.3	-0.2	0.3	0.1	0.2	-0.1
Real gross domestic product (GDP)	0.4	0.5	0.2	0.6	0.2	0.1	1.0	0.2	-0.1
Hours worked	0.2	1.0	-0.2	0.3	0.4	-0.2	0.8	0.1	0.1
Hourly compensation	1.5	-0.0	0.2	0.2	0.8	1.3	0.7	1.2	0.8
Unit labour cost	1.3	0.4	-0.2	-0.1	1.0	1.0	0.5	1.0	1.0
Exchange rate ²	-1.5	0.6	-2.1	-1.2	-1.0	-0.7	-0.5	1.2	0.1
Unit labour cost in US dollars	-0.3	1.0	-2.3	-1.3	-0.1	0.4	-0.1	2.3	1.0
United States³									
Labour productivity	0.0	0.3	0.6	0.2	-0.0	0.9	0.7	-0.1	0.3
Real GDP	1.0	0.7	1.0	0.8	0.3	1.0	0.5	0.6	0.6
Hours worked	1.0	0.4	0.4	0.6	0.3	0.1	-0.2	0.6	0.3
Hourly compensation	1.1	1.2	0.2	0.6	0.1	2.3	0.7	0.6	0.6
Unit labour cost	1.1	0.8	-0.4	0.4	0.1	1.4	0.0	0.6	0.4
	2015	2016	2017	2018	2019	First quarter 2019	Second quarter 2019	Third quarter 2019	Fourth quarter 2019
	% change from the previous year					% change from the same quarter of the previous year			
Canada									
Labour productivity	-0.6	0.1	2.1	-0.1	0.6	0.8	0.5	0.4	0.5
Real GDP	0.3	0.5	3.6	1.8	1.4	1.1	1.9	1.5	1.3
Hours worked	0.9	0.4	1.5	1.9	0.9	0.3	1.3	1.1	0.8
Hourly compensation	2.0	-1.3	2.7	2.3	3.4	2.5	3.1	4.1	4.1
Unit labour cost	2.7	-1.4	0.5	2.4	2.9	1.7	2.5	3.7	3.6
Exchange rate ²	-13.6	-3.6	2.1	0.1	-2.3	-4.9	-3.4	-1.0	0.1
Unit labour cost in US dollars	-11.2	-4.9	2.7	2.4	0.5	-3.2	-1.0	2.6	3.7
United States³									
Labour productivity	1.2	0.3	1.3	1.3	1.7	1.7	1.8	1.5	1.8
Real GDP	3.5	1.8	2.8	3.4	2.7	3.1	2.7	2.4	2.7
Hours worked	2.3	1.5	1.5	2.0	1.0	1.4	0.9	0.9	0.9
Hourly compensation	2.9	1.1	3.5	3.2	3.8	3.3	3.8	3.7	4.3
Unit labour cost	1.6	0.8	2.1	1.9	2.0	1.5	2.0	2.2	2.4

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: Fourth Quarter and Annual Averages 2019, Preliminary — published in news release, February 6. 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 [Economic Accounts Statistics](#) portal, accessible from the *Subjects* module of our website, features an up-to-date portrait of national and provincial economies and their structure.

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).