

Labour productivity, hourly compensation and unit labour cost, third quarter 2023

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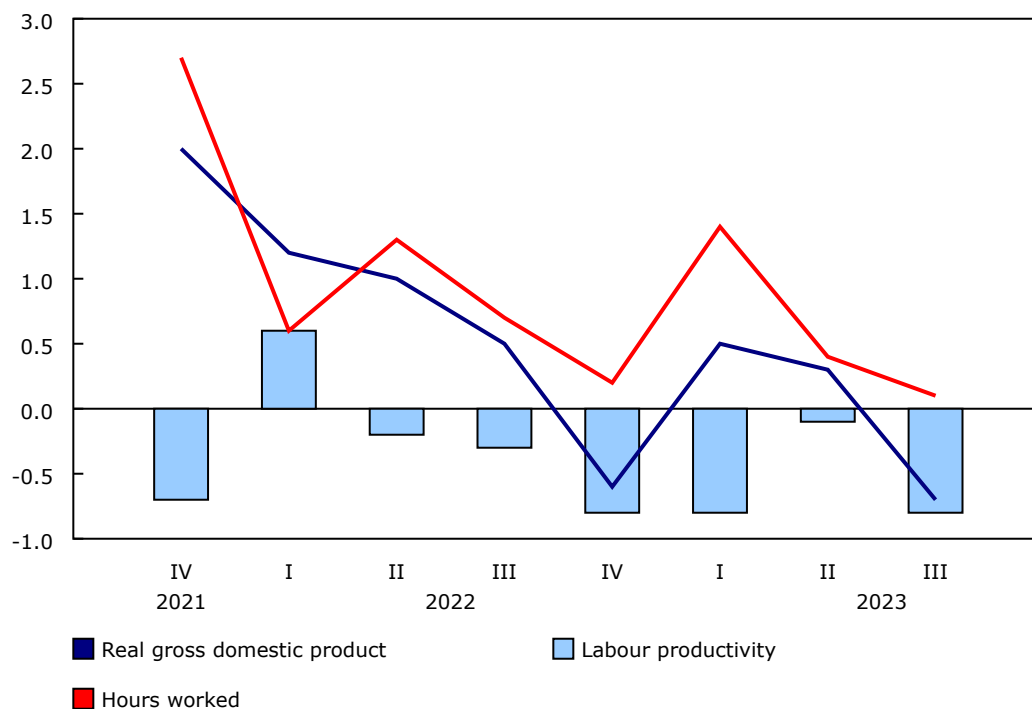
Productivity declines for a sixth consecutive quarter

Labour productivity of Canadian businesses decreased 0.8% in the third quarter, after edging down 0.1% in the previous quarter. This was a sixth consecutive quarterly decline.

Chart 1

Business productivity declines 0.8% for the third time in the last four quarters

quarterly % change



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

The decline in productivity in the third quarter mainly reflects the contraction in business output observed after two quarters of growth, while hours worked increased slightly.

In the third quarter, real gross domestic product of businesses contracted 0.7%, after having grown 0.3% in the second quarter and 0.5% in the first quarter.

Little change in hours worked in the third quarter

Hours worked in the business sector, which had increased 0.4% in the second quarter, varied little in the third quarter, edging up 0.1%. This was the lowest quarterly growth rate in 13 quarters.

This slight growth in hours worked reflects the 0.1% increase in average hours worked, while the number of jobs was unchanged.



Hours worked in services-producing businesses rose during the third quarter, up 0.2%, while those in goods-producing businesses edged down 0.1%. Overall, hours worked increased in half of the 16 industry sectors and were unchanged in accommodation and food services.

Wildfires continued to affect certain economic regions of Canada in July 2023. This contributed to a 0.01% reduction in the quarterly change in hours worked in the business sector.

Wildfires in certain economic regions across the country: Impact on hours worked used to measure productivity, July 2023

In June 2023, Statistics Canada added questions to the Labour Force Survey (LFS) on the number of work hours lost and the number of overtime hours worked, due to the wildfires affecting certain economic regions of the country. Data from these added questions were for the month prior to the regular survey month.

Data from these questions allowed Statistics Canada to adjust the estimates of hours worked and related measures (including labour productivity). For the August 2023 reference month, these additional questions were removed from the September 2023 LFS questionnaire. Therefore, Statistics Canada no longer uses this monthly information as of August 2023, as the number of fires across the country was in decline.

Over the month of July 2023, 1.6 million hours of work were lost in the business sector, while 646,000 additional hours were worked. As a result, for the third quarter, the net effect was a loss of 944,000 hours. This was a much smaller loss than that recorded in the previous quarter (-2.4 million hours).

Productivity falls in both goods-producing and services-producing businesses

In the third quarter, both goods-producing businesses (-0.9%) and services-producing businesses (-0.4%) posted a decline in their productivity, mainly due to decreases in the retail trade, manufacturing, and agriculture and forestry sectors.

In total, productivity fell in 10 of the 16 main industry sectors, while it was virtually unchanged (+0.1%) in mining and oil and gas extraction, construction, and real estate services.

Business unit labour costs increase at the same pace as in the previous quarter

Unit labour costs—that is, the costs of wages and benefits a business pays its workers to produce one unit of output—increased 1.6% in the third quarter. This is the same growth rate as in the second quarter.

This increase in unit labour costs is attributable to the combined effect of the slowdown in growth in average compensation per hour worked (from 1.5% in the second quarter to 0.8% in the third quarter) and the decline in productivity (-0.8%), which was more pronounced than in the previous quarter.

Sustainable development goals

On January 1, 2016, the world officially began implementing the [2030 Agenda for Sustainable Development](#)—the United Nations' transformative plan of action that addresses urgent global challenges over the following 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 sustainable development goals. This release will be used to help measure the following goal:



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Note to readers

Revisions

With this release, data were revised back to the first quarter of 1981 at the aggregate level and to the first quarter of 1997 at the industry level.

These historical revisions reflect the incorporation of revised data from different sources, as well as the change in the reference year from 2012 to 2017 for real output measures. In particular, the revisions are consistent with those incorporated in the quarterly gross domestic product (GDP) by income and expenditure and the monthly GDP by industry, released on November 30, 2023.

Change of reference year for indexes of labour productivity and related measures to 2017=100

The indexes of labour productivity and related measures have also been converted from reference year 2012 to reference year 2017. As a result, all indexes were revised historically. Revisions to growth rates in productivity and related measures affected only the most recent periods.

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 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 fourth quarter of 2023 will be released on March 6, 2024.

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

	Third quarter 2021	Fourth quarter 2021	First quarter 2022	Second quarter 2022	Third quarter 2022	Fourth quarter 2022	First quarter 2023	Second quarter 2023	Third quarter 2023
% change from the previous quarter									
Canada									
Labour productivity	-0.9	-0.7	0.6	-0.2	-0.3	-0.8	-0.8	-0.1	-0.8
Real gross domestic product (GDP)	1.9	2.0	1.2	1.0	0.5	-0.6	0.5	0.3	-0.7
Hours worked	2.8	2.7	0.6	1.3	0.7	0.2	1.4	0.4	0.1
Hourly compensation	0.9	-0.4	2.8	1.4	0.3	0.6	0.5	1.5	0.8
Unit labour cost	1.8	0.3	2.2	1.7	0.6	1.4	1.4	1.6	1.6
Exchange rate ²	-2.5	0.0	-0.5	-0.9	-2.2	-3.9	0.5	0.7	0.1
Unit labour cost in US dollars	-0.8	0.3	1.7	0.9	-1.7	-2.5	1.8	2.3	1.8
United States³									
Labour productivity	-0.5	0.7	-1.7	-0.8	0.1	0.5	-0.1	0.8	1.2
Real GDP	0.8	2.1	-0.8	-0.3	0.7	0.7	0.5	0.5	1.4
Hours worked	1.3	1.4	1.0	0.5	0.6	0.2	0.7	-0.3	0.2
Hourly compensation	1.5	1.5	0.2	0.5	1.7	-0.0	1.6	1.6	1.0
Unit labour cost	2.0	0.8	2.0	1.3	1.6	-0.5	1.7	0.8	-0.2
	2018	2019	2020	2021	2022	Fourth quarter 2022	First quarter 2023	Second quarter 2023	Third quarter 2023
% change from the previous year					% change from the same quarter of the previous year				
Canada									
Labour productivity	0.2	0.4	8.8	-5.8	-1.2	-0.7	-2.1	-2.0	-2.5
Real GDP	2.7	1.9	-6.8	5.7	4.3	2.1	1.4	0.7	-0.4
Hours worked	2.4	1.5	-13.9	11.5	5.6	2.9	3.6	2.7	2.1
Hourly compensation	3.0	2.8	12.7	-1.4	4.9	5.2	2.9	2.9	3.4
Unit labour cost	2.7	2.4	3.5	4.6	6.1	6.0	5.1	5.0	6.1
Exchange rate ²	0.1	-2.3	-1.1	7.0	-3.6	-7.3	-6.3	-4.9	-2.6
Unit labour cost in US dollars	2.8	0.0	2.5	11.9	2.2	-1.6	-1.5	-0.2	3.3
United States³									
Labour productivity	1.5	2.1	5.0	1.8	-1.9	-2.0	-0.5	1.2	2.4
Real GDP	3.4	2.8	-2.8	7.2	1.9	0.3	1.6	2.4	3.2
Hours worked	1.9	0.7	-7.3	5.3	3.9	2.4	2.0	1.2	0.8
Hourly compensation	3.5	3.8	8.0	4.9	3.8	2.4	3.8	4.9	4.2
Unit labour cost	1.9	1.7	2.9	3.0	5.8	4.5	4.2	3.6	1.8

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: Third Quarter 2023, Preliminary — published in news release, November 2. 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.

Table 2
Labour productivity and related measures, by business sector industry, seasonally adjusted, third quarter 2023

	Real gross domestic product	Hours worked	Labour productivity	Total compensation per hour worked
	% change from the previous quarter			
Business sector, goods	-0.9	-0.1	-0.9	0.0
Agriculture, forestry, fishing and hunting	-6.9	-2.1	-4.9	0.9
Mining and oil and gas extraction	1.1	1.0	0.1	-1.0
Utilities	-1.9	1.0	-2.8	0.1
Construction	-0.0	-0.1	0.1	0.3
Manufacturing	-1.2	0.2	-1.4	-0.4
Business sector, services	-0.2	0.2	-0.4	1.2
Wholesale trade	1.0	-0.5	1.5	1.8
Retail trade	-0.2	1.7	-1.8	-0.9
Transportation and warehousing	0.1	0.2	-0.1	1.3
Information and cultural industries	-1.6	-4.1	2.6	6.6
Finance and insurance, and holding companies	-0.3	0.7	-1.0	0.2
Real estate and rental and leasing	-0.1	-0.2	0.1	0.7
Professional, scientific and technical services	-0.4	-0.9	0.5	2.1
Administrative and support, waste management and remediation services	-0.9	-0.4	-0.5	3.1
Arts, entertainment and recreation	-1.1	3.3	-4.3	-3.6
Accommodation and food services	-0.4	-0.0	-0.3	-0.9
Other business services	0.1	1.0	-0.9	2.5

Source(s): Table [36-10-0207-01](#).

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 the Statistics Canada website, features an up-to-date portrait of national and provincial economies and their structures.

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.

The study, [Canadian regional labour statistics and inter-regional movements of paid workers, 2001 to 2021](#), which is part of *Latest Developments in the Canadian Economic Accounts* ([13-605-X](#)), is now 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; infostats@statcan.gc.ca) or Media Relations (statcan.mediahotline-ligneinfomedias.statcan@statcan.gc.ca).