

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

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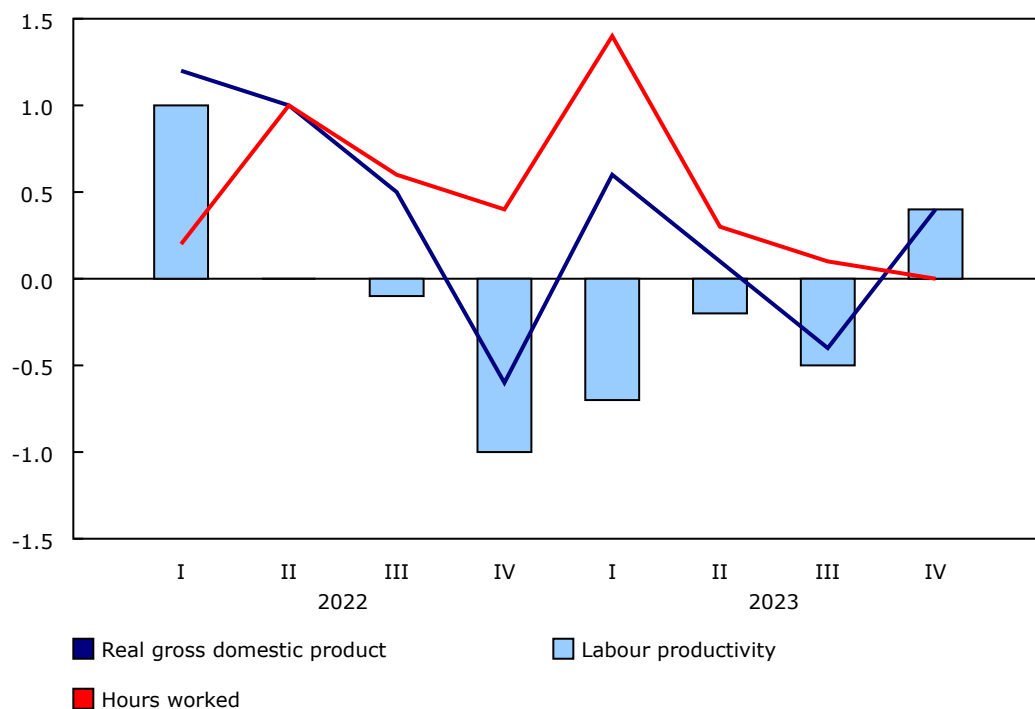
Productivity rises for the first time in seven quarters

Labour productivity of Canadian businesses rose 0.4% in the fourth quarter, after falling 0.5% in the third quarter. This was the first gain since the first quarter of 2022 (+1.0%).

Chart 1

Businesses increase their output in the fourth quarter, without increasing the hours worked

quarterly % change



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

Without increasing the hours worked, businesses were able to increase their output in the fourth quarter, resulting in productivity growth.

Real gross domestic product (GDP) of businesses rebounded 0.4% in the fourth quarter, after decreasing 0.4% the previous quarter.

Hours worked are flat, after little change in the previous quarter

Meanwhile, hours worked in the business sector were stable in the fourth quarter, after edging up (+0.1%) in the previous quarter.

The number of jobs (-0.1%) and average hours worked (+0.1%) in the fourth quarter also posted little change for a second consecutive quarter.



In the fourth quarter, there were slight changes in hours worked in both goods-producing businesses (+0.1%) and service-producing businesses (-0.1%). Overall, 7 of the 16 industry sectors posted increases, while real estate services and professional services were virtually unchanged.

Productivity increases in both goods- and service-producing businesses

Service-producing businesses saw their productivity rise by 0.4% in the fourth quarter. This was the first increase in six quarters, and retail trade contributed the most to the increase. For goods-producing businesses, productivity (+0.1%) edged up after four quarters of decline.

In total, productivity was up in 7 of the 16 main industry sectors, and it was unchanged in 4: manufacturing, finance and insurance, professional services, and administrative services.

Unit labour costs decline for the first time in 13 quarters.

Since growth in hourly compensation was slower than productivity growth, the unit labour costs edged down 0.1% in the fourth quarter, after increasing for 12 consecutive quarters. Unit labour costs represent the costs of wages and benefits a business pays its workers to produce one unit of output.

Annual averages for 2023

On average, over 2023, labour productivity of Canadian businesses fell 1.8%, a third consecutive annual decline.

This decline for the year in productivity reflects the 0.6% increase in real GDP of businesses, combined with a 2.5% increase in hours worked. Growth in business output and hours worked slowed for a second consecutive year.

Most of the decline in productivity observed in 2023 was attributable to goods-producing businesses (-3.4%), which fell for a third consecutive year. Productivity in service-producing businesses decreased 0.8%, following zero growth in the previous year.

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 (SDGs).

The release "Labour productivity, hourly compensation and unit labour cost" is an example of how Statistics Canada supports the reporting on the global SDGs. 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 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 9, 2024. 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 29, 2024.

In addition, all series (except for GDP and the implicit price deflator) at the aggregate level were subject to revision going back to 1981, as a result of revisions to the values for the 2017 reference year. However, the resulting revisions to growth rates 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 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 first quarter of 2024 will be released on June 5.

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

	Fourth quarter 2021	First quarter 2022	Second quarter 2022	Third quarter 2022	Fourth quarter 2022	First quarter 2023	Second quarter 2023	Third quarter 2023	Fourth quarter 2023
	% change from the previous quarter								
Canada									
Labour productivity	-0.6	1.0	0.0	-0.1	-1.0	-0.7	-0.2	-0.5	0.4
Real gross domestic product (GDP)	2.0	1.2	1.0	0.5	-0.6	0.6	0.1	-0.4	0.4
Hours worked	2.6	0.2	1.0	0.6	0.4	1.4	0.3	0.1	-0.0
Hourly compensation	0.2	3.6	2.1	0.8	0.4	0.8	1.5	0.9	0.3
Unit labour cost	0.8	2.6	2.1	0.9	1.4	1.5	1.7	1.4	-0.1
Exchange rate ²	0.0	-0.5	-0.9	-2.2	-3.9	0.5	0.7	0.1	-1.6
Unit labour cost in US dollars	0.8	2.1	1.3	-1.4	-2.5	2.0	2.3	1.6	-1.6
United States³									
Labour productivity	0.7	-1.7	-0.8	0.1	0.5	-0.1	0.8	1.2	0.8
Real GDP	2.1	-0.8	-0.3	0.7	0.7	0.5	0.5	1.4	0.9
Hours worked	1.4	1.0	0.5	0.6	0.2	0.7	-0.3	0.2	0.1
Hourly compensation	1.5	0.2	0.5	1.7	-0.0	1.6	1.4	0.9	1.0
Unit labour cost	0.8	2.0	1.3	1.6	-0.5	1.7	0.6	-0.2	0.2
	2019	2020	2021	2022	2023	First quarter 2023	Second quarter 2023	Third quarter 2023	Fourth quarter 2023
	% change from the previous year					% change from the same quarter of the previous year			
Canada									
Labour productivity	0.4	9.2	-6.2	-0.5	-1.8	-1.8	-2.0	-2.4	-1.0
Real GDP	1.9	-6.8	5.7	4.3	0.6	1.5	0.6	-0.3	0.7
Hours worked	1.5	-14.2	12.1	4.9	2.5	3.4	2.7	2.2	1.8
Hourly compensation	2.8	13.1	-1.7	7.1	3.7	4.1	3.5	3.6	3.5
Unit labour cost	2.4	3.5	4.9	7.7	5.6	6.1	5.6	6.2	4.6
Exchange rate ²	-2.3	-1.1	7.0	-3.6	-3.6	-6.3	-4.9	-2.6	-0.3
Unit labour cost in US dollars	0.0	2.5	12.2	3.7	1.8	-0.6	0.4	3.4	4.3
United States³									
Labour productivity	2.1	5.0	1.8	-1.9	1.5	-0.5	1.2	2.4	2.7
Real GDP	2.8	-2.8	7.2	1.9	2.6	1.6	2.4	3.1	3.3
Hours worked	0.7	-7.3	5.3	3.9	1.1	2.0	1.2	0.7	0.6
Hourly compensation	3.8	8.0	4.9	3.8	4.4	3.8	4.8	4.0	5.0
Unit labour cost	1.7	2.9	3.0	5.8	2.9	4.2	3.5	1.6	2.2

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 2023, Preliminary — published in news release, February 1. 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, fourth quarter 2023

	Real gross domestic product	Hours worked	Labour productivity	Total compensation per hour worked
	% change from the previous quarter			
Business sector, goods	0.2	0.1	0.1	-0.5
Agriculture, forestry, fishing and hunting	3.1	-1.1	4.3	0.7
Mining and oil and gas extraction	2.2	1.8	0.4	-0.3
Utilities	0.2	0.7	-0.5	-1.5
Construction	-0.7	0.4	-1.1	-0.9
Manufacturing	-0.3	-0.3	-0.0	-0.4
Business sector, services	0.3	-0.1	0.4	0.7
Wholesale trade	0.4	-0.9	1.3	1.4
Retail trade	1.2	-1.1	2.3	1.4
Transportation and warehousing	0.8	1.8	-1.0	-1.6
Information and cultural industries	-0.2	-2.6	2.5	-0.6
Finance and insurance, and holding companies	0.2	0.2	-0.0	0.5
Real estate and rental and leasing	-0.5	-0.0	-0.5	0.5
Professional, scientific and technical services	-0.0	0.0	-0.0	0.9
Administrative and support, waste management and remediation services	-0.1	-0.1	-0.0	1.9
Arts, entertainment and recreation	-0.8	-2.1	1.3	8.1
Accommodation and food services	2.0	0.2	1.7	1.2
Other business services	0.7	1.0	-0.3	0.4

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 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).