

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

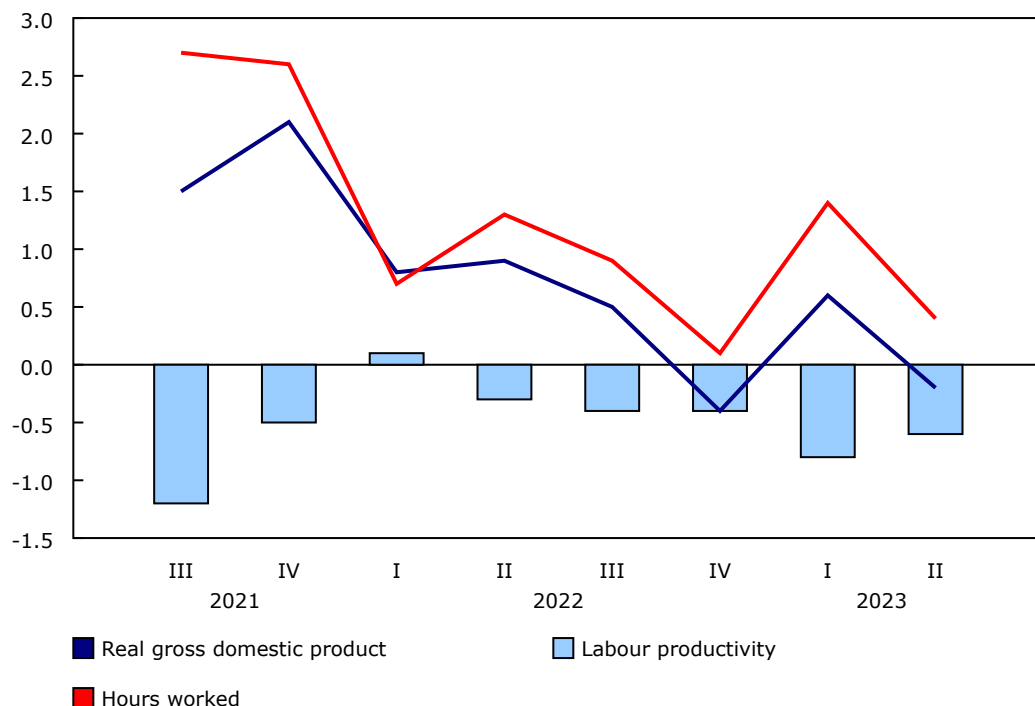
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Productivity falls for fifth consecutive quarter

Labour productivity of Canadian businesses fell 0.6% in the second quarter, extending the string of declines observed since the second quarter of 2022. The decline observed in the second quarter of 2023 occurred within a quarter marked by a slowdown in business output and growth in hours worked.

Chart 1 Business output and growth in hours worked slow sharply in second quarter

quarterly % change



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

After rebounding in the previous quarter, business output contracted slightly in the second quarter, while growth in hours worked continued, albeit more moderately.

Over the past three quarters, real gross domestic product (GDP) of businesses moved in a sawtooth pattern. After declining 0.4% in the fourth quarter of 2022, real GDP of businesses rebounded by 0.6% in the first quarter of 2023 and then declined 0.2% in the second quarter, mainly due to a decline in activity in the wholesale and retail sectors.

Growth in hours worked slows considerably in the second quarter

Growth in hours worked in the business sector decelerated considerably to 0.4% in the second quarter, as a result of the slowdown observed in 12 of the 16 industry sectors.



This slower pace of growth in hours worked reflected the 0.4% increase in the average hours worked, while the number of jobs was unchanged.

Floods and wildfires affected certain economic regions across Canada during the April to June 2023 period. This contributed to a 0.04% reduction in the quarterly change in hours worked in the business sector.

Floods and wildfires in certain economic regions across the country from April to June: Impact on hours worked

Data on lost work hours and overtime due to the floods and wildfires, which affected certain economic regions of the country from April to June, are taken from questions added to the June Labour Force Survey (LFS) (for the reference periods of April and May) and in the July LFS (for the reference period of June).

In the business sector, considering only active workers or those on paid leave, about 4.6 million hours of work were lost during the April to June period, while 2.2 million hours of overtime were worked. As a result, for the second quarter, the net effect of these events on hours worked in the business sector was a loss of 2.4 million hours.

Among all the main industry sectors, it was the mining and oil and gas extraction sector (-716,000 hours) that posted the largest net loss of hours.

Services-producing businesses contribute the most to the overall decline in productivity

Productivity decreased in both services- and goods-producing businesses, with 9 of the 16 industry sectors posting declines in the second quarter.

Productivity of services-producing businesses fell 0.6%, slightly more than in the previous quarter (-0.4%). On the goods side, productivity edged down 0.2% in the second quarter, the third consecutive quarterly decline.

Growth in unit labour costs accelerates again

Unit labour costs—that is, the costs of labour per unit of output—of Canadian businesses continued to accelerate, reaching 2.1% in the second quarter. This was the highest quarterly growth rate since the first quarter of 2022 (+2.9%).

This accelerated pace of growth in unit labour costs reflected the acceleration in hourly compensation growth (+1.5%), resulting from the slowdown in hours worked.

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:



Note to readers

Revisions

With this release, data were revised back to the first quarter of 2022 at the aggregate and industry levels. These revisions are consistent with those incorporated in the release on quarterly gross domestic product (GDP) by income and expenditure and the release on monthly GDP by industry, released on September 1, 2023.

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 third quarter of 2023 will be released on December 6.

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

	Second quarter 2021	Third quarter 2021	Fourth quarter 2021	First quarter 2022	Second quarter 2022	Third quarter 2022	Fourth quarter 2022	First quarter 2023	Second quarter 2023
% change from the previous quarter									
Canada									
Labour productivity	-1.5	-1.2	-0.5	0.1	-0.3	-0.4	-0.4	-0.8	-0.6
Real gross domestic product (GDP)	-1.1	1.5	2.1	0.8	0.9	0.5	-0.4	0.6	-0.2
Hours worked	0.5	2.7	2.6	0.7	1.3	0.9	0.1	1.4	0.4
Hourly compensation	2.4	0.8	-0.9	3.0	1.5	0.3	0.6	0.8	1.5
Unit labour cost	4.0	2.1	-0.4	2.9	1.9	0.7	1.0	1.6	2.1
Exchange rate ²	3.0	-2.5	0.0	-0.5	-0.9	-2.2	-3.9	0.5	0.7
Unit labour cost in US dollars	7.2	-0.5	-0.4	2.4	1.1	-1.6	-2.8	2.0	2.7
United States³									
Labour productivity	0.6	-0.7	0.8	-1.6	-0.9	0.2	0.5	-0.2	0.9
Real GDP	2.1	0.6	2.2	-0.6	-0.4	0.9	0.7	0.5	0.6
Hours worked	1.5	1.3	1.4	1.0	0.5	0.6	0.2	0.7	-0.3
Hourly compensation	1.7	1.6	1.7	0.4	0.8	1.9	-0.1	0.5	1.2
Unit labour cost	1.1	2.2	0.9	2.1	1.6	1.7	-0.5	0.7	0.3
	2018	2019	2020	2021	2022	Third quarter 2022	Fourth quarter 2022	First quarter 2023	Second quarter 2023
% change from the previous year					% change from the same quarter of the previous year				
Canada									
Labour productivity	0.3	0.4	8.8	-6.2	-1.8	-1.1	-1.1	-2.0	-2.2
Real GDP	2.7	1.9	-6.8	5.2	3.7	4.3	1.9	1.7	0.5
Hours worked	2.4	1.5	-13.9	11.5	5.6	5.5	3.0	3.7	2.8
Hourly compensation	3.0	2.8	12.8	-1.4	4.9	4.0	5.5	3.2	3.2
Unit labour cost	2.7	2.4	3.6	5.1	6.8	5.2	6.7	5.3	5.5
Exchange rate ²	0.1	-2.3	-1.1	7.0	-3.6	-3.5	-7.3	-6.3	-4.9
Unit labour cost in US dollars	2.7	0.0	2.5	12.4	2.9	1.5	-1.0	-1.4	0.3
United States³									
Labour productivity	1.6	1.8	4.3	2.2	-1.6	-1.5	-1.8	-0.3	1.4
Real GDP	3.5	2.6	-3.4	7.7	2.2	2.1	0.6	1.7	2.7
Hours worked	1.9	0.8	-7.4	5.3	3.9	3.6	2.4	2.0	1.2
Hourly compensation	3.5	3.7	8.0	4.7	4.5	4.9	3.1	3.2	3.7
Unit labour cost	1.8	1.9	3.5	2.5	6.2	6.5	4.9	3.6	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: Second Quarter 2023, Preliminary — published in news release, August 3. 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,
second quarter 2023

	Real gross domestic product	Hours worked	Labour productivity	Total compensation per hour worked
	% change from the previous quarter			
Business sector, goods	-0.3	-0.1	-0.2	2.0
Agriculture, forestry, fishing and hunting	-3.5	-2.8	-0.7	3.8
Mining and oil and gas extraction	-0.3	-0.1	-0.2	2.0
Utilities	-0.3	2.1	-2.4	1.0
Construction	-1.0	-0.3	-0.7	2.4
Manufacturing	0.9	0.5	0.4	1.2
Business sector, services	0.0	0.6	-0.6	1.2
Wholesale trade	-2.2	1.4	-3.6	0.8
Retail trade	-1.3	1.4	-2.6	0.2
Transportation and warehousing	0.7	0.6	0.1	2.2
Information and cultural industries	0.9	-0.9	1.8	0.3
Finance and insurance, and holding companies	-0.2	0.1	-0.3	2.1
Real estate and rental and leasing	2.5	1.0	1.5	-1.1
Professional, scientific and technical services	0.6	0.5	0.0	1.9
Administrative and support, waste management and remediation services	-0.2	-1.5	1.3	2.4
Arts, entertainment and recreation	1.9	0.6	1.3	3.0
Accommodation and food services	-1.6	0.1	-1.7	-0.3
Other business services	0.7	1.7	-1.0	1.0

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).