

Insights into Canada's Abysmal Post-2000 Productivity Performance from Decompositions of Labour Productivity Growth by Industry and Province

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Abstract

The Centre for the Study of Living Standards has released new estimates of the labour, capital and multifactor productivity growth and levels estimates for the Canadian provinces by industry for the 1997-2007 period at the market sector, two-digit, and three-digit NAICS industry level. This extensive data base allows for the decomposition of labour productivity growth into with-in sector effects and reallocation level and growth effects. This paper exploits this data base to shed light on the nature of the slowdown in labour productivity growth in Canada after 2000. It identifies manufacturing as the sector that has accounted for slower productivity growth. Within manufacturing, transportation equipment and computers and electronics are found to be the industries that accounted for the lion's share of the falloff in labour productivity growth. It also identifies Ontario as the province that has contributed proportionately the most to slowdown again because of the concentration of manufacturing in this province. These findings are particularly useful for identifying possible causes of Canada's abysmal productivity growth and developing policies to improve productivity.