



*Centre for the Study of  
Living Standards  
Centre d'étude des  
niveaux de vie*

## **Falloff in Manufacturing Productivity Growth Accounts for Canada's Post-2000 Productivity Growth Slowdown**

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The **Centre for the Study of Living Standards (CSLS)**, a national, independent, not-for-profit, economic research organization, today released the Spring 2010 issue of the *International Productivity Monitor*. The attention of Canadian economic policy makers is increasingly focusing on the productivity issue given Canada's abysmal productivity performance since 2000. One of the articles in the issue, by CSLS Executive Director Andrew Sharpe, sheds light on the nature of the slowdown by decomposing aggregate labour productivity growth into within-sector and reallocation effects. It finds that the reallocation of labour among sectors actually had little net effect on labour productivity growth in the 2000-2007 period and that it did not contribute to the slowdown between 1973-2000 and 2000-2007 periods. Rather it was the falloff in labour productivity growth within manufacturing from 2.9 per cent per year in the 1973-2000 to 1.1 per cent in 2000-2007 that was by far the most important factor accounting for the slowdown.

Additional highlights of the issue are summarized below.


\* Between 2005 and 2009 Canada's total economy labour productivity growth only advanced 0.1 per cent per year, the second worst among G-7 countries after Italy. This is a finding in the article by Bart van Art, Chief Economist at the New York-based Conference Board, and colleagues that provides an overview of recent productivity developments in the world economy. They also observe that 2009 represented the first year since the early 1980s that labour productivity fell in absolute terms at the world level.


\* Despite Canada's abysmal productivity growth, real net national income (NNI), the most relevant measure of living standards, actually grew at a faster pace in Canada than in the United States between 2000 and 2008 (3.3 per cent versus 1.9 per cent per cent), according to an article on measures of aggregate income by Chris Ross of the University of Toronto and Alex Murray from the Centre for the Study of Living Standards. This development reflected improved terms of trade and strong employment growth in this country.

The table of contents of the Spring 2010 issue of the *International Productivity Monitor* is found below.


[Masthead](#) 

[Editor's Overview](#) 

Vivian Chen, Abhay Gupta, Andre Therrien, Gad Levanon and Bart van Ark  
[Recent Productivity Developments in the World Economy: An Overview from The Conference Board Total Economy Database](#) 

Chris Ross and Alexander Murray  
[Aggregate Measures of Income and Output in Canada and the United States: Implications for Productivity and Living Standards](#)  - [Appendix Tables](#) 

Andrew Sharpe  
[Can Sectoral Reallocations of Labour Explain Canada's Abysmal Productivity Performance?](#)  


Wulong Gu and Amelie Lafrance  
[Productivity Growth in Canadian and U.S. Regulated Industries](#) 

Pamfili Antipa and Marie-Elisabeth de la Serve  
[International Comparisons of Industry-based Productivity Levels in the Financial and Business Service Sectors](#) 

The **Centre for the Study of Living Standards** (CSLS) is a national, independent, not-for-profit research organization which began operations in August 1995. Its objectives are twofold. First, the goal is to contribute to a better understanding of trends and determinants of productivity, living standards, and economic well-being in Canada through research, and secondly to contribute to public debate by developing and advocating specific policies to improve the living standard of Canadians. Further information/interviews: Andrew Sharpe, 613-233-8891, [andrew.sharpe@csls.ca](mailto:andrew.sharpe@csls.ca)