Release of the Fall 2011 Issue of the
International Productivity Monitor

On December 21, 2011 the Centre for the Study of Living Standards (CSLS) released the Fall 2011 issue of the International Productivity Monitor. Highlights of the issue are provided below.

- In the lead article **Don Drummond** from Queen's University, and former senior official at Finance Canada and chief economist at a major bank, provides a fascinating and highly readable account of the evolution of his own views on the productivity issue. Until very recently he has believed that inappropriate public policy was at the roots of the productivity problem. Drummond now believes that the private sector bears more responsibility for the situation than previously thought. He also cogently argues that to improve Canada's productivity performance we need a better understanding of firm behavior and calls for a major research effort that would tackle the productivity conundrum from a micro-economic perspective.

- **Pierre Therrien** from Industry Canada and **Petr Hanel** from the Université de Sherbooke provide an econometric analysis linking innovation and productivity in Canadian manufacturing establishments. They find that greater innovation, defined as higher levels of spending on innovation, leads to better innovation outcomes, as measured by greater sales of innovative products per employee. More innovative firms are found to have higher levels of labour productivity. Indeed, an increase of 1 per cent of innovation sales per employee is associated with an increase in labour productivity of 0.22 per cent.

- **Michael-John Almon** and **Jianmin Tang** from Industry Canada develop estimates of industry contributions to both real output and labour productivity growth in Canada and the United States from 1987 to 2008 using a Fisher chain methodology. They find that the slowdown in labour productivity growth in Canada between the 1987-2000 and 2000-2007 period is completely explained by the fall-out in the contribution from manufacturing, due to both slower productivity growth in the sector and the falling relative prices of manufacturing goods. Despite a fall in labour productivity of around 4 per cent per year between 2000 and 2008 in the mining and oil and gas industry, this sector actually contributed 0.64 percentage points of the 0.79 per cent per year increase in business sector labour productivity growth. The rising prices of the sector's output explain this paradoxical development.

- **Ricardo de Avillez** from the Centre for the Study of Living Standards finds that real GDP per hour in agriculture in Canada has advanced at an amazing 3.77 per cent per year over the 1961-2007 period, in contrast to 2.1 per cent in the business sector. Unlike the business sector, agriculture has experienced no slowdown in productivity growth since 2000. The sector's productivity success is due to its ability to substitute both capital goods and intermediate goods such as fertilizer for labour as well as rapid technological developments.

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For additional information, please contact:
Andrew Sharpe
Executive Director
Centre for the Study of Living Standards
151 Slater Street, Suite 710
Ottawa, Ontario K1P 5H3
613-233-8891
Fax: 613-233-8250
andrew.sharpe@csls.ca
www.csls.ca
Don Drummond can be contacted at don.drummond@queensu.ca or at 613-406-9105.