Abstract:

This paper compares long-run growth in labour productivity in Canada and the United States from 1961 to 2006. Over the entire period labour productivity in both countries grew at about the same rate. But Canadian growth exceeded that of the United States up to the early 1980s. Since then, U.S. labour productivity growth has exceeded Canadian growth. The gap has widened, particularly after 2000. The paper decomposes labour productivity growth into three components—that arising from increases in capital intensity, from increases in the skill level of the labour force (due to changes in labour composition) and a residual (multifactor productivity growth). The paper then characterizes the patterns of growth in major industry sectors in the two countries and identifies the contribution of each industry to the aggregate business sector productivity growth.