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Press Release - Ottawa, January 12, 2016

Study finds rising health expenditures threaten the long-term fiscal position of provincial governments

The Centre for the Study of Living Standards (CSLS) today released the 29th issue of the International Productivity Monitor. The table of contents of the issue and links to the articles are below.

Two articles will be of particular interest to the media, the first on the potentially precarious long-term fiscal position of provincial governments linked to rising health expenditures, and the second on the very weak productivity performance of residential care facilities, whose economic importance will grow with the aging of the baby boom cohorts.

Don Drummond from Queen's University and **Evan Capeluck** from the Centre for the Study of Living Standards present economic and fiscal projections for the 2014-2038 period for the Canadian provinces and territories based on a range of assumptions. In what they consider the most realistic scenario, one with rising real per capita health spending, most provinces and territories are expected to experience faster growth in government spending than in nominal GDP, resulting in rising deficits. The authors recognize that this situation can be addressed by higher taxes or spending cuts, but point out that more rapid GDP growth through improved productivity growth is an easier, and more politically palatable, way to deal with fiscal imbalances.

Wulong Gu and **Jiang Li** from Statistics Canada develop experimental estimates for labour productivity growth in the residential care sector in Canada by estimating real output measures independently of inputs. They find that output per hour in the residential care sector in Canada only increased at an average annual rate of 0.2 per cent between 1984 and 2009, well below the 1.2 per cent growth rate for the business sector. This very weak performance has contributed to Canada's anemic productivity growth.

International Productivity Monitor - Number 29

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[Editor's Overview](#)

Don Drummond and Evan Capeluck

[The Role of Productivity in Long-Term Economic and Fiscal Projections for the Canadian Provinces and Territories, 2014-2038](#)

Wulong Gu and Jiang Li

[Productivity in Residential Care Facilities in Canada, 1984-2009](#)

Yu Sheng, Eldon Ball and Katerina Nossal

[Comparing Agricultural Total Factor Productivity between Australia, Canada and the United States, 1961-2006](#)

Erwin Diewert

[Reconciling Gross Output TFP Growth with Value Added TFP Growth](#)

Matthew Calver

[On the Relationship between Gross Output-Based TFP Growth and Value Added-Based TFP Growth: An Illustration Using Data from Australian Industries](#)

Don Drummond

[Progress on the Mystery of Productivity: A Review Article on the OECD Report *The Future of Productivity*](#)

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The Centre for the Study of Living Standards (CSLS) is a national, independent, Ottawa-based not-for-profit research organization. Its primary objective is to contribute to a better understanding of trends and determinants of productivity, living standards, and economic well-being in Canada through research.

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