

Press Release - Ottawa, December 22, 2014

Oil Sands Enjoys Very Strong Labour Productivity Growth Since 2007

The Centre for the Study of Living Standards today released the Fall 2014 issue of the *International Productivity Monitor*. The table of contents of the issue and links to the articles are below. Of particular interest is the article by Andrew Sharpe and Bert Waslander entitled “The Impact of the Oil Boom on Canada’s Productivity Performance, 2000-2012.” The key findings of the article are highlighted below.

- The oil and gas industry has been the leading sector in the Canadian economy in the 2000s. The high oil prices which the sector has enjoyed until recently have contributed substantially to living standards growth. But the effect of the oil boom on Canada’s mediocre aggregate productivity performance are complex and poorly understood.
- Labour productivity in the Canadian oil and gas sector fell at a 6.4 per cent average annual rate between 2000 and 2012. This negative contribution to aggregate labour productivity growth was however offset by a positive reallocation effect, reflecting the high labour productivity level of the sector and the net inflow of workers. The net effect resulted in the oil and gas sector making a very small positive direct contribution to labour productivity growth.
- Labour productivity growth has been very strong (10.7 per cent per year) in the non-conventional oil and gas industry (i.e. oil sands) since 2007, the first year for which data for this sub-sector are available. This reflects the increasing importance of steam-assisted gravity-drainage (SAGD) technologies and learning-by-doing.
- The recourse to lower-quality, higher-cost conventional oil and gas deposits, made profitable by high prices, accounts for the fall in labour productivity after 2007 in the Canadian oil and gas sector.
- The most important indirect effect of the oil and gas sector boom on Canada’s aggregate productivity performance was its impact on the exchange rate, which reduced the competitiveness of the manufacturing sector, leading to a fall in output and much slower labour productivity growth in this sector.

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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 wellbeing in Canada through research.

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