In May, 2014 the Forest Products Association of Canada (FPAC) released a report commissioned by the Centre for the Study of Living Standards (CSLS) on the national picture of labour productivity growth in the forest products sector from the years 2000-2012. The report, *A Detailed Analysis of Productivity Trends in the Canadian Forest Products Sector*, shows that during this period the sector grew at a compound annual rate of 2.5% per year, significantly faster than the business sector growth of 0.7%.

Of note, the study demonstrated that the driving force behind the sectors’ rapid labour productivity growth was spurred on by multifactor productivity growth, which is often seen as a reflection of improvements in technology, and the decisions that drive how business is run.

Following the release of this national study, FPAC commissioned CSLS to provide a detailed analysis of Ontario and Quebec during the years 2000-2013. The full reports were released by CSLS in July 2015; a summary of the findings follows.

### Why Labour Productivity Matters

The productivity gains seen in Ontario and Quebec’s forest products industry are vital to realizing the promise of Vision2020, the industry’s strategy to renew its workforce, leverage its environmental leadership and to generate new revenue by expanding into new markets with new, innovative products. Improved productivity also shows that the forest products industry is competitive on the world stage.

### QUEBEC

Quebec’s forest products sector had the strongest labour productivity performance of all provinces during the analysis period of 2000-2013, registering an above-average productivity performance of 3.7 per cent per year, led by forestry and logging and wood manufacturing sectors.

### Key Findings

Quebec’s forestry and logging saw the fastest labour productivity growth at 6.7 per cent per year. Wood products manufacturing labour productivity grew 4.8 per cent per year, while pulp and paper manufacturing grew 1.8 per cent per year.

Compared to the labour productivity growth in other sectors, Quebec’s forest products sector was the second strongest performer, falling only slightly behind agriculture at 3.9 per cent per year.

Shifting global demand required the sector to augment its business model to remain competitive. The main drivers of productivity growth were capital deepening, which means an increase of capital per worker, a more highly skilled labour force, technological change and innovation allowing output to remain steady.

The full CSLS Quebec Report can be found at the following link: [http://www.csls.ca/reports/csls2015-05.pdf](http://www.csls.ca/reports/csls2015-05.pdf)
ONTARIO
The Ontario forest products sector had an average productivity performance of 1.0 per cent per year during the 2000-2013 period, while it had the lowest gains compared to other provinces’ forest sectors it exceed Ontario’s business sector’s performance of only 0.6 per cent per year.

The continuous structural shift away from paper, the collapse and subsequent anemic recovery of the US housing market, as well as the appreciation of the Canadian dollar led to a deterioration of cost competitiveness and reduced demand for Ontario’s forest product exports.

Key Findings
Between 2000 and 2013, Ontario forest products sector was the weakest performer in terms of labour productivity growth among the provinces. However, Ontario’s forest products sector outperformed the all-industry average for Canada at 0.9 per cent as well as the all-industry average for Ontario at 0.6 per cent, ranking eighth among eighteen industries in terms of labour productivity.

There have been signs that a number of the non-structural factors reducing demand for Ontario’s forest products are beginning to disappear. For instance the value of the Canadian dollar has experienced a significant depreciation recently, and the US economy and housing starts in particular have started to recover. As a result the economic outlook for the Ontario forest products sector has improved.

The industry has undergone a significant transformation in recent years. Capacity has been shed, leaving behind an industry that is much smaller than in the past. Forest products sector in Ontario can remain competitive by improving productivity growth in the future. The sector will likely never return to what it used to be, but the forest products sector in Ontario is not likely to disappear.

The full CSLS Ontario Report can be found at the following link: http://www.csls.ca/reports/csls2015-06.pdf

RECOMMENDATIONS
FPAC is recommending a renewed focus on investing in both human and physical capital as well as strong spending on research and development. For more information visit www.fpac.ca/productivity.
Labour Productivity by Province, Forest Products Sector, Compound Average Annual Growth

Labour Productivity, Forest Products Sector, Canada and Selected Provinces, Compound Average Annual Growth, 2000-2013