



CANADA'S FOREST PRODUCTS INDUSTRY GETS TOP GRADE



MEDIA BACKGROUNDER

Canada's forest products industry has registered strong labour productivity growth over the last decade, setting the stage for a bright future. Leveraging labour productivity growth by investing in innovation will help the forest products industry continue to play an important role in Canada's economic growth and international competitiveness.

Why it matters

The outstanding productivity gains seen in Canada'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.

Key Findings

A Detailed Analysis of Productivity Trends in the Canadian Forest Products Sector by the Centre for the Study of Living Standards (CSLS) shows that during the 2000-2012 period, labour productivity growth in the forest products sector grew at a compound annual rate of 2.5% per year, significantly faster than business sector growth of 0.7%.

The Canadian forest products sector earned a silver medal coming second only to agriculture in outperforming the labour productivity growth rate of 18 sectors for the 2000-2012 period. The Canadian forest products industry also fares well when compared to its international competitors. The latest available figures show that from 2000-2007 Canada had by far the fastest labour productivity growth in wood product manufacturing among eight OECD countries.

Most interestingly, the CSLS productivity study demonstrates that the driving force behind rapid labour productivity growth in the forest products industry is multifactor productivity growth. This measures increases in output that are not directly tied to increases in human resources or capital inputs.



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Multifactor productivity growth is often seen as reflecting improvements in technology, the decisions that drive how a business is run and how close a business is to running at full capacity.

A commitment to research and development (R&D) and adopting technology continue to help drive productivity growth in the Canadian forest products industry. Canada had high R&D intensity — the measure of a company's R&D spending to increase productivity and output — in wood product and paper manufacturing. Canada placed well above the international average and in line with the R&D intensity of countries with major forest industries such as Norway, Sweden and Finland.

Recommendations

FPAC is recommending a renewed focus on investing in both human and physical capital as well as strong spending on research and development.

To learn more please read FPAC's *Productivity Report Card* available at: fpac.ca/productivity