CSLS Study on Nova Scotia's Productivity Performance

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The Centre for the Study of Living Standards released today a major study entitled "A Detailed Analysis of Nova Scotia's Productivity Performance, 1997-2010". The report is posted at http://www.csls.ca/reports/csls2012-05.pdf.

The study was prepared for the Nova Scotia Department of Labour and Advanced Education, the Nova Scotia Department of Economic and Rural Development and Tourism, and the Atlantic Canada Opportunities Agency. It provides a detailed analysis of Nova Scotia's labour and capital productivity performance and the factors behind this performance. It identifies weak machinery and equipment investment and low levels of business R&D as the two factors most responsible for the province's productivity gap. Key findings from the study are highlighted below.

- In 2010, the business sector labour productivity level in Nova Scotia was 75.7 per cent of the national average, at $29.03 per hour (chained 2002 dollars) versus $38.37 per hour (chained 2002 dollars). Industry-specific differences in labour productivity levels between Nova Scotia and Canada accounted for 70.0 per cent of the gap. Indeed, 18 out of the 20 of Nova Scotia's two-digit NAICS industries had labour productivity levels below the national average.

- However, business sector labour productivity in Nova Scotia grew at a faster pace than the national average during the 1997-2010 period (1.56 per cent vs. 1.29 per cent), which means that the labour productivity gap shrunk from 1997 to 2010 (from 73.1 percentage points in 1997 to 75.7 percentage points in 2010). The sectors that contributed the most to this positive productivity growth differential were: other private services; retail trade; and mining and oil and gas extraction.

- One of the main reasons behind the below average labour productivity level in Nova Scotia was the province's below average capital intensity level. In particular, M&E capital intensity in Nova Scotia represented only 72.7 per cent of the national average in

2010, down from 94.9 per cent in 1997. The key reason for this increase in the M&E capital intensity gap was the slow growth in non-ICT M&E capital stock. The ICT capital stock in Nova Scotia grew at a robust pace when compared to other asset categories, albeit slower than the national average.

- In terms of human capital, Nova Scotia's overall performance has been in line with the national average. Formal educational attainment, represented by average years of schooling, was the same among workers in Nova Scotia and Canada as a whole. Employer-supported training rates, managerial quality, and adult literacy scores were also in the same range as the national estimates. The only negative result refers to Nova Scotia's apprenticeship system. Apprenticeship registrations in Nova Scotia increased at a very weak rate of 1.3 per cent per year during the 1991-2009 period, well below the national rate of 4.26 per cent. Furthermore, Nova Scotia was the only province were apprenticeship completion numbers have actually declined during the period (-1.8 per cent per year).

- Nova Scotia had a poor innovation performance compared to the Canadian average. The province experienced nominal R&D expenditures growth below the national average during the 1984-2010 period (4.99 per cent versus. 6.72 per cent). Unlike the national picture, where the business sector plays a fundamental role in performing R&D, in Nova Scotia it had a supporting role, with the bulk of R&D expenditures being performed by the higher education sector. BERD (business expenditures in R&D) intensity in Nova Scotia was only a third of the Canadian average during the 2000-2008 period.

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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.