



Productivity: A Crisis Now Firmly on our Doorstep



Mike Martens
President
ICBA Alberta

We pride ourselves in Alberta on our capacity to create businesses and industries, and to provide much of the foundation of our national economy. Certainly we see that drive and delivery in our construction sector.

But the hard fact remains that Canada as a whole is experiencing a long, slow decline. On productivity growth and other key measures of well-being and competitiveness, we are increasingly coming up short among our global peers and competitors.

The alarm bells are ringing louder, with many commentators calling on government and industry to re-double efforts to generate productivity growth. It's in all our interests

since, as a Bank of Canada official recently put it: "Ultimately, higher productivity helps the economy generate more wealth for everyone."

So what's behind our dismal growth performance? According to the OECD, business investment in Canada from 2015 to 2023 ranked 44 out of the 47 most advanced economies. And last year the C.D. Howe Institute reported that for every dollar an American business spends on training, technology and capital – essential ingredients of innovation – a Canadian company invests 58 cents.

Investment capital is also being taxed and regulated away, and opportunities missed. Canada has a huge competitive advantage in highly in-demand natural resources, as we well know in Alberta. But visiting leaders from Germany, Greece, Japan and Poland have recently received a cold shoulder from

Ottawa at the suggestion that Canada supply them with much-needed energy.

Small wonder that private sector job creation in Canada has often been weak while the size of government has ballooned.

We need governments at all levels willing to harness our talent, ambition and resources to grow our economy. And with about 20 per cent of construction workers expected to retire over the next five years, innovation and labour productivity need to be especially front and centre for contractors.

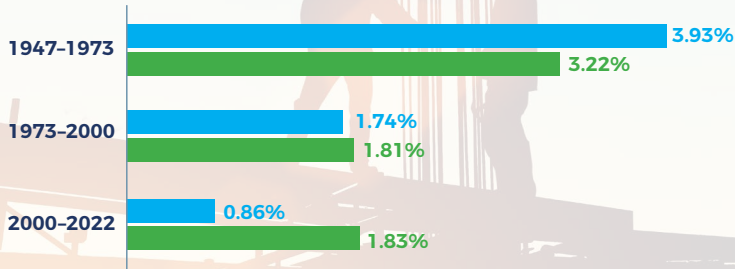
Fortunately, technology and innovation are changing and improving the way we design and build buildings. That will help meet the need to get more housing and infrastructure in place fast and efficiently. What we also need, however, is an economy-wide focus on enabling and driving productivity growth.

Falling Behind on Labour Productivity Growth

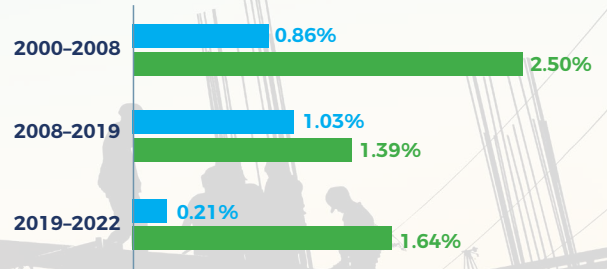
Up until 2000, Canada achieved productivity growth rates above or roughly comparable to those in the U.S., but we've been consistently falling behind since then.

Growth in Business Sector Output per Hour (compound average annual rates of growth)

Long-Term Comparison



Recent Period Comparison



■ Canada ■ United States

Source: "Finances of the Nation: The Canadian Productivity Landscape - An Overview"; Sharpe and Sargent; *Canadian Tax Journal* 2023

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Productivity is the Key to Raising Living Standards

While productivity can seem abstract, it makes a very tangible difference to our living standards. The benefits of improved productivity are many. But as key international comparators show, Canada is losing out badly on them in contrast to our peers and competitors.

A Productivity Primer



Say a construction worker starts out being able to frame a single unit of an apartment building in one day. Then with better on-site equipment and digital project planning and management, she becomes able to frame 1.5 units in a single day. Her productivity has increased by 50%.



That creates big benefits for the worker, her employer and the broader economy:

- Higher earnings/incomes
- More cost-efficient production
- Improved competitiveness
- Scarce labour goes further



Which translates into a stronger economy and rising living standards.

In the time a U.S. worker produces \$1 of GDP...

... A Canadian worker produces

... An Italian worker produces

... A British worker produces

... A French worker produces

... A Danish worker produces

\$1.00

79¢

81¢

85¢

95¢

\$1.13

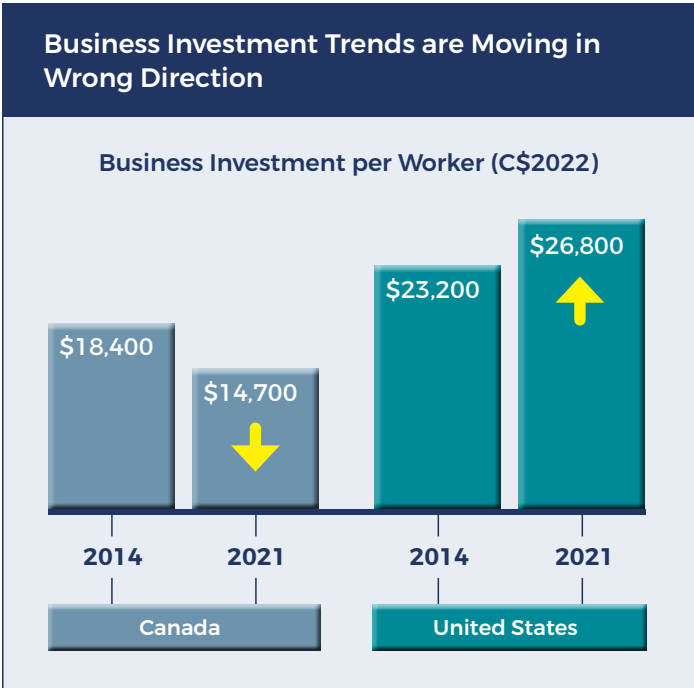


Canada's rank for overall labour productivity among OECD¹ countries:

29th of 38

What's Holding Us Back?

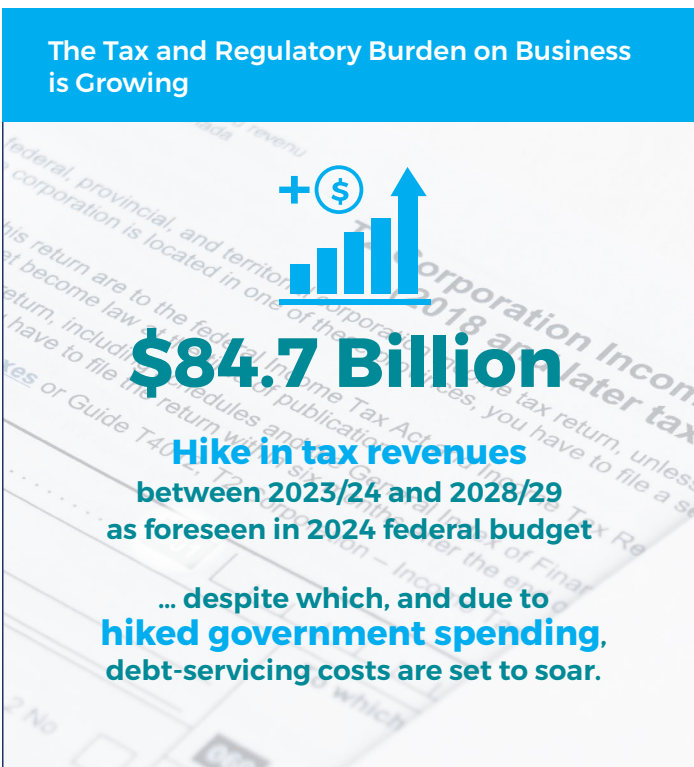
Many factors are holding back productivity growth in Canada. Relatively weak business investment, particularly in research and development, is one – largely caused by high taxation and other government policies that sometimes seem designed to discourage investment and innovation. The result: productivity growth is sluggish and job creation is concentrated within government.



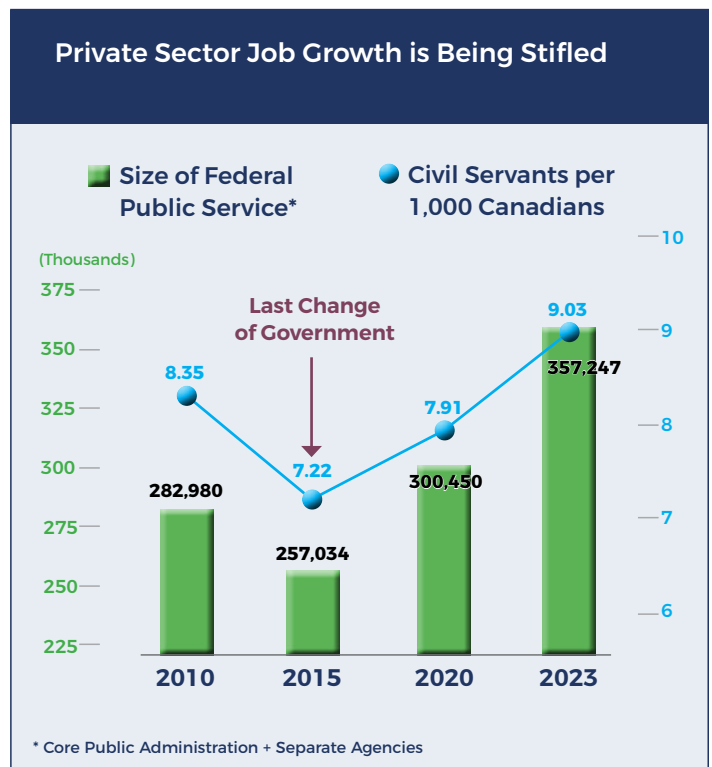
Source: Fraser Institute; "Comparing Business Investment Per Worker in Canada and the United States"; 2023



Source: IT and Innovation Foundation; "Comparing Canadian and U.S. R&D Leaders in Advanced Sectors"; September 2023



Source: Federal Budget 2024



Source: Treasury Board of Canada Secretariat

Productivity Improvement in Construction

Construction industry leaders are focused on productivity improvement in our sector. Greater reliance on pre-fabrication and modular construction is one highly promising strategy - through which offsite assembly allows for more work to be automated and industrialized. And the sector is also continuing on a path of increased digitization and other forms of “Contech” or advanced construction technologies.

Modular techniques can speed up homebuilding by **20-50%** and reduce costs by **20-30%**.

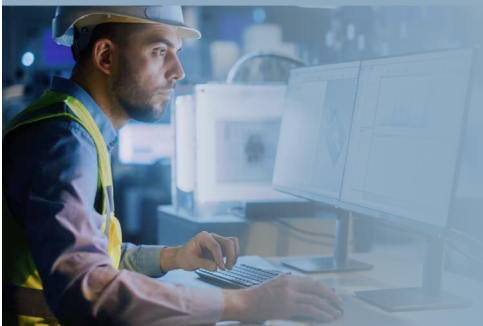


In 2020, Singapore committed \$120M from its Public Sector **Construction Productivity Fund** to support off-site manufacturing and on-site assembly, targeting 70% adoption by 2025.



The “Ten Degrees” towers in South London, UK, were delivered in just 26 months and at **38 and 44 stories** were at least temporarily the world’s tallest modular development.

Sources: “Making Modular Construction Fit”, McKinsey, 2023; “Streamlining the Delivery of Rental Housing Through Pre-Approved Plans and Off-Site Construction”, Metro Vancouver, 2023; and trade press sources



Global Contech Investments Q1 2024:

US\$672 Million
↑ 20% from Q1 2023

“Enhanced Productivity”
was biggest focus area

Source: Cemex Ventures analysis: April 10, 2024

“Productivity isn’t everything, but in the long run it is almost everything. A country’s ability to improve its standard of living over time depends almost entirely on its ability to raise its output per worker.”

– Economist and Nobel Laureate Paul Krugman

The ALBERTA CONSTRUCTION MONITOR is an ICBA Alberta publication providing ahead-of-the-curve information and statistics on the Alberta construction industry and issues relevant to it.

ICBA Alberta advocates for fairness, opportunity, and free enterprise; and supports the success of open shop contractors and ICBA Alberta members by delivering services that enhance the competitiveness of their businesses.



ICBA Alberta

Suite 501
1135 - 17th Ave SW
Calgary, AB T2T 0B6
Toll-free: 1-800-663-5384
Local: 587-315-3319

www.icbaalberta.ca
info@icbaalberta.ca