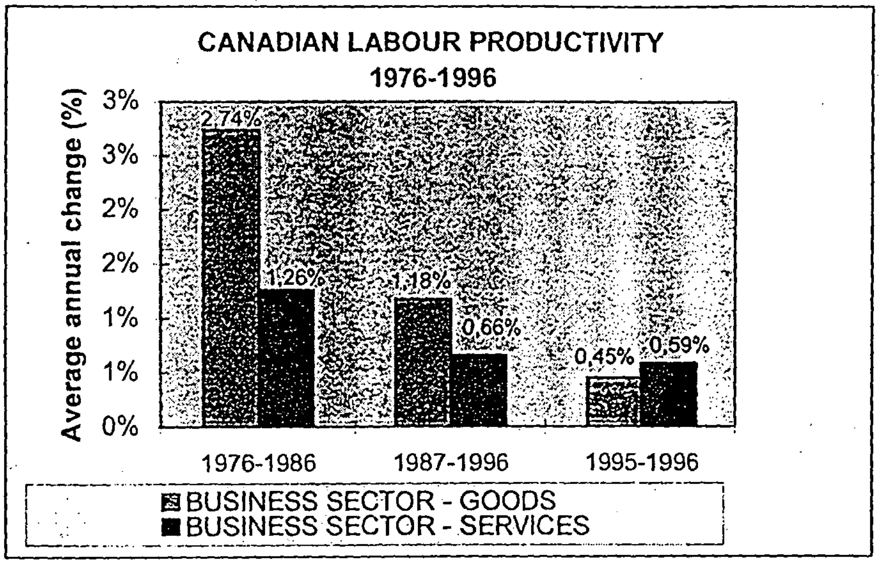
2.2.3 Productivity

Chart 3 illustrates two trends. It indicates that labour productivity for the goods and services business sectors have declined during two sub-periods between 1976-1996. The second trend is that the service sector has showed a lower level of productivity growth than the goods sector, even though in 1996 the opposite situation occurred. This is in keeping with the discussion in Section 1 above.

CHART 3



Source: Statistics Canada matrix # 7921

2.2.4 Contribution of service industries in R&D

Between 1986-96, gross domestic expenditures on R&D (GERD) has been a stable share of GDP in Canada with an average of 1.6%.[66] In 1996, 62% of the GERD was performed by the business sector (both goods and services) of which 33% was performed by services industries. When expenditures from the public sector are excluded, the share of R&D performed by services is close to 60%. From 1987 to 1994, R&D in services sectors grew by 10% on an annual average basis compared to 5.3% for the non-service sectors, which resulted in an increase in the share of R&D for service industries.[67]

[66] Numbers come from Statistics Canada #12 series on Science and Technology Redesign Project and Services Division

[67] In key research sectors such as software and biotechnology, services represented more than half of the R&D in the former and one-third for the latter. In 1991, a survey sent to Canadian companies about their alliances with other firms to perform R&D activities showed that service industries played a key role in promoting R&D and the diffusion of new ideas.