

Logistics and the Competitiveness of Canadian Supply Chains

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Introduction

In 2009, Canada ranked ninth among OECD countries with a per capita gross domestic product (GDP) of \$46,243,¹ a measurement generally used to compare societies' standards of living. That same year, our main trading partner, the United States, ranked third with a per capita GDP of \$56,109—21.3% higher than the figure for Canada. It is generally acknowledged that an increase in a country's standard of living is linked to growth in labour productivity, that is, the relationship between the GDP and the number of hours worked. Based on this criterion, Canada placed 17th among OECD countries in 2009, with labour productivity of \$53.79 per hour worked, while the United States ranked 7th, with labour productivity of \$64.91—20.7% higher than the figure for Canada. This lag on Canada's part is nothing new. Between 1981 and 2009, average annual labour production growth in Canada was among the lowest for industrialized OECD member countries. In fact, only Italy and Switzerland had lower growth rates during that period.²

Between 1984 and 2006, growth in labour productivity in Canada came essentially from the services sector, including a positive contribution from the wholesale and retail sectors. However, virtually none of this growth came from the transportation and warehousing industry.³ More recently, between 2002 and 2008, the increased labour productivity in Canada's retail sector was much higher than the private sector average. This good performance may be attributable to investments made by companies in that sector in innovative practices, particularly in the area of logistics management (Industry Canada, 2010).

It is therefore appropriate and important to compare Canada's supply chain management performance, both in terms of international trade and from the perspective of innovative practices adopted by Canadian companies in the domestic market. This chapter begins with a comparative analysis of Canada's performance with the performance of 155 countries from the perspective of their global supply chain as measured by an index developed by the World Bank. Next, the relationship between logistics performance and business productivity is

¹ Canadian dollars in 2008.

² Centre sur la productivité et la prospérité (2010), *Productivité et Prospérité au Québec – Bilan 2010*, HEC Montréal.

³ Ibid