Productivity workshop – Summing up and next steps

OECD Workshop on Productivity, Paris, 5-6 November 2012

The Focus on Productivity – why and how?

- Why - Productivity is again top on the policy agenda
  - Growth, incomes and well-being
  - International competitiveness – unit labour cost
  - The crisis and long-term productivity trends
  - Drivers of productivity and the policies that affect productivity
  - Long-run prospects – do we know – Gordon versus Bartelsman
Productivity and the crisis

- Strong drop in productivity in some countries
- Hard to explain in some cases (UK) – measurement only explains some of the variation – what’s the role of the financial sector? Small firms versus large firms.
- Labour market responses have differed – Germany versus France
- Spillover effects – why have they declined over time?
- Sectoral differences across countries matter – e.g. construction in Spain, banking in the UK.

Key note Chad Syverson

- Explosion of data – much scope for research
- Productivity dispersion/heterogeneity – and is persistent over time
- Levers – management matters, esp. role of family-owned firms – learning by doing
- External factors – competition and regulation
- Open issues:
  - The role of demand
  - Levers versus external factors
Intangibles

- Management – strong link to productivity, but is endogeneous – why not broader application of good management practices?

- Japan – declining investment in intangibles (economic competencies), spill-over effects from large firms declining, more investment in small firms – what incentives for firms to invest in intangibles? Role of demand.

- Netherlands – incorporation of intangibles/IPP in national accounts – also less growth in such investment since 2002. Challenges: global firms, virtual firms.

Globalisation and productivity

- Various links between globalisation and productivity, large literature

- Italy – many exporting firms, learning by exporting, strong impact of Chinese import penetration on inflation. Policy - Enabling reallocation, management

- Global value chain framework – use linked IO tables to account for demand and technology effects – strong impact of skill-based technological change on demand for labour

- Need to account for intermediate input prices – prices of imports of emerging economies are often lower – bias price statistics and MFP growth

- Policy – reducing tariff rates strengthens productivity growth
Measurement

• Much more that can be done with micro data – enables new issues to be tackled – entry, exit, dynamics, reallocation, disentangling levers and the policy environment
• Access to data is key, confidentiality concerns can be overcome - networks for international comparisons
• Public sector productivity - measurement improving, but need to improve def of public sector; edu & health; extend number of assets considered by NA; infrastructure.
• Methodology matters – allowing for profit and imperfect competition
• OECD – work on methods and concepts (e.g. services prices); data (dealing with ISIC Rev 4); internal consistency; international comparability (e.g. hours worked)

Natural assets and productivity

• Integrating natural resources and bad outputs in MFP measurement – can change perspective on MFP growth – need to further improve shadow prices, increase country coverage (BRICS) and relate to environmental regulation
• Important to include land in capital stock – experience Bank of Korea – depreciation rates, asset lives
• Productivity growth in agriculture – important for future food security – US experience – productivity growth dominates input growth – slowdown since 1974 – also international comparisons of agricultural productivity
A few final conclusions

• Productivity is a priority – and not just for economic growth
• Much scope for cross-country analysis – micro data, sectoral data, linked IO data, etc.
• Many unresolved questions – distinguishing the levers and the policy drivers
• Methods, data and international comparability remain a challenge
• OECD will continue to work in this area: methodologies, measurement, data, international comparisons, analysis, policy and providing a platform for discussion – another workshop next year?

Thank you for attending and see you next year!

Slides and the 2012 OECD Productivity Compendium will be made available on:

http://www.oecd.org/std/productivitystatistics/oecdworkshoponproductivity5-6november2012paris.htm