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GFP Activities Report

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Message from the co-chairs of the Steering Group

Ten years since the financial crisis, global growth remains strong and unemployment has fallen below pre-crisis levels in many countries. Despite these exciting news, productivity growth remains sluggish. This is worrying because productivity is the engine propelling social and economic progress. Low productivity growth has negative social consequences because it implies weak growth of labour income, particularly for low-income workers. Against this background, addressing the underlying causes of the slowdown in productivity has moved to the top of the policy agenda in developed and emerging economies.

The OECD Global Forum on Productivity (GFP) was established to support policymakers in their efforts to design successful productivity-enhancing policies. Since its creation in 2015 during a Productivity Summit in Mexico, the GFP has become a meeting point for researchers and policymakers, and developed a remarkable agenda on productivity. Over the last three years, the GFP has delivered high-quality research, organised high-level conferences and disseminated findings related to the policy and structural factors behind the productivity slowdown.

In 2018, the GFP pushed forward the research agenda of its member countries. It finalised joint research with the Bank of Spain exploring the consequences of unconventional monetary policy for productivity, extended work on global value chains assessing their impact on productivity and innovation and started to study the implications of mergers and acquisitions for market concentration and productivity.

Convening activities were especially rich this year bringing together top academics and policymakers to exchange views on a wide-range of topics that could boost productivity. The BIS-IMF-GFP conference in Paris explored the links between finance and productivity, the 2nd LAC Ministerial Summit in San José, Costa Rica, showed the potential of greater regional trade integration to increase productivity and the 3rd Annual Conference in Ottawa discussed how the opportunities and challenges raised by disruptive technologies could be met by public policy to achieve sustainable and inclusive productivity growth.

Additionally, the GFP further developed its online platform to give more visibility to productivity research being done by its members, including by publishing five new OECD Productivity Working Papers and by providing new visualisation tools for productivity data. Thanks to these efforts, GFP events during 2018 reached full capacity.

The present report summarises these accomplishments and showcases how the GFP has become a clearing-house of ideas, analyses and best practices.

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About the GFP

The Global Forum on Productivity (GFP) was created in mid-2015 following an initiative of the Economic Policy Committee (EPC), the Committee on Industry Innovation and Entrepreneurship (CIIE) and the Economic Development Review Committee (EDRC). It revolves around three axis – analysis, convening and communication - which draw upon, complement and enhance the work already designated within the work programme of these Committees.

As a platform for mutual exchange of information, the GFP acts as a clearing-house of ideas, analyses and best practices, in which governments combine efforts to uncover the structural and policy factors behind the productivity slowdown.

Through this concerted mission to foster international collaboration, the GFP gives government institutions the opportunity to discuss their views on institutional set-ups, share data and knowledge and undertake joint policy analysis.

The present Activities Report summarises the work carried out by the GFP over 2018 and is structured in five sections: (i) About the GFP; (ii) Analysis; (iii) Convening; (iv) Communication; and (v) Summary.



Members of the GFP in 2018

The GFP is guided by its Steering Group, whose members decide the programme of work of the Forum as well as the allocation of available funds among three main activities: analysis, convening and communication.

Members of the GFP increase the visibility of their respective institutions, have the possibility to host GFP events, network with high-level academics at the forefront of productivity research and have access to a password protected interactive platform.

In 2018, the Steering Group was pleased to welcome Brazil, who joined the existing members: Australia, Belgium, Canada, Costa Rica, Denmark, France, Germany, Hungary, Italy, Ireland, Mexico, Japan, New Zealand, Spain, Sweden and the United Kingdom.

How to join the GFP?

Contact us to find out more about eligibility at productivity@oecd.org

Co-chairs of the Steering Group in 2018

Steering Group members appoint on a yearly basis co-chairs to coordinate the activities of the Forum. At the Spring Steering Group meeting on 23 March 2018, the following co-chairs were appointed: Dan Andrews (Australia), Alonso Alfaro Ureña (Costa Rica) and Stefan Profit (Germany).



Dan Andrews is the Chief Advisor in the new Structural Reform Group of the Australian Treasury. He is responsible for deepening the understanding of Australia's productivity challenge and providing advice to the Australian government on productivity-enhancing structural reforms. Before joining the Treasury, Dan held the position of Deputy Head of the Structural Policy Analysis Division and was the leader of the Productivity Workstream in the OECD Economics Department. His research has focused on exploiting micro-data to assess the causes of the global productivity slowdown and the impact of structural reforms on growth. With an academic background in economics, he also holds a Master's in Public Administration from Harvard University."



Alonso Alfaro Ureña is a researcher at the Department of Research of the Central Bank of Costa Rica (BCCR) and a professor at the Department of Economics at the Universidad de Costa Rica. He worked as an assistant at a consulting firm and analyst at a private bank while getting a B.Sc. degree in Economics at the Universidad de Costa Rica (2005). He graduated at the school of Pennsylvania State University for an M.A. (2009) and a Ph.D. in Economics (2012). His work focuses on productivity, trade, growth and inflation expectations. Currently, Alonso teaches an International Trade undergraduate class and has been the representative of the BCCR at the Costa Rican Productivity Commission and the Global Forum on Productivity.



Stefan Profit is the Deputy Director-General at the German Federal Ministry for Economic Affairs and Energy. His directorate deals with macroeconomic developments, economic analyses and projections. Before assuming this position, he was in charge of a unit focusing on the empirical research in the field of inclusive growth, productivity and investment, as well as assessing growth and distributional effects of structural reforms. Stefan has an academic background in labour economics and holds a Ph.D. in Economics from Humboldt University Berlin.

Funding and governance

Participation in the Steering Group entails commitment to contribute a minimum of 25,000 euros per annum to fund the GFP. This budget covers the following costs: (i) the policy research agenda elaborated according to the preferences of the Steering Group, (ii) the management of the network and the organization of events, and (iii) the communication and dissemination of the activities of the Forum. Members of the Steering Group are at the centre of the GFP and guide the activities of the Forum during Steering Group meetings. These meetings also give members an additional possibility to share any relevant work being done in their respective institutions.

During the Fall Steering Group meeting, members review the budget situation of the current year, the GFP presents the results of the analytical work carried out during the year and members decide the programme of work for the next year. By the end of the year, members receive a draft forecast of the budget for the next year and are expected to express their willingness to participate in the GFP during the forthcoming year.

At the Spring Steering Group meeting, members receive a full financial report of the previous year, and a final budget estimate for the ongoing year, appoint the co-chairs and overview the planned activities for the year. In view of improving the financial stability of the GFP and enhancing the coherence and continuity of its programme of work, members are expected to send their voluntary contributions by the Annual Conference of the GFP which takes place during summer.



Fall - Steering Group meeting

- Overview of the budget situation
- Presentation of analytical work
- Agreement on the work programme of the next year

End of the year

- Draft forecast of the budget for the next year
- Countries express their willingness to contribute to the GFP

Spring - Steering Group meeting

- Financial statement of the previous year and budget estimate for the current year
- Appointment of the co-chairs for the current year
- Oversight of ongoing activities

Summer - Annual Conference

- Countries are expected to send their voluntary contributions



Analysis

The analytical activities of the GFP revolve around the programme of work established by the GFP Steering Group and help to spur and implement collaborative research within the OECD and in joint projects with member countries. The research topics explored by the GFP correspond to the priorities identified by Steering Group members and have synergies with the work programme of the OECD Committees.

In 2018, the GFP finalised a joint research with the Bank of Spain, mandated by the Steering

Monetary policy and productivity: evidence on the risk-seeking channel from US high-yield bond markets

This paper examines the relationship between lax monetary policy, access to high-yield bond markets and productivity in the US. It conjectures that through the risk-taking channel, expansionary monetary policy has increased investors' appetite for US high-

yield corporate bonds, thereby facilitating access to high-yield bond markets for firms with low credit ratings. Since the relationship between low credit ratings and firm-level productivity tends to be U-shaped, the aggregate effect on

Group, which examined the relationship between unconventional monetary policy, access to high-yield bond markets and productivity in the United States. Additionally, following the priorities set by the Steering Group, the GFP explored two topics. The first topic explores to which extent integration in global value chains affects productivity and innovation, continuing work on global value chains set in the 2017 agenda. The second topic relates to the implications of mergers and acquisitions for market concentration and productivity.

productivity is a priori unclear. To examine the productivity effects, a two-step empirical approach is followed. First, using monetary policy surprises, obtained from changes in interest rates futures in a narrow window around FOMC announcements, the change

Productivity and innovation at the industry level: what role for global value chain integration?

This ongoing work revisits the link between global value chain (GVC) integration and productivity and the role of innovation, building on a combination of detailed cross-country industry level datasets. It aims to quantify the extent to which the weak productivity performance in recent years is related to a slowdown in GVC expansion. Exploring the role of innovation, it finds that forward participation, i.e. supplying intermediates, is related to more spending

M&As, concentration and productivity

The number and value of mergers and acquisitions (M&As) has been increasing rapidly in recent years, and their implications for the wider economy are attracting increasing attention. At the same time a number of studies suggest that industry concentration has increased over recent years in the United States, but evidence for other parts of the world is to date limited and inconclusive. These developments raise potentially important issues for innovation, competition, entrepreneurship and industrial policy.

The research conducted in the context of the GFP work programme presents new evidence on industry concentration trends in digital and less-digital sectors in Europe and in North America by combining several novel micro data sources. Based on OECD Multiprod data, it finds that between 2001

in the access to high-yield bond markets due to lax monetary policy is isolated. In a second step, the effects of this change on the reallocation of resources are analysed in order to see whether more productive firms attracted more resources.

on innovation and is key for productivity benefits, but only when the destination trading partner countries have high levels of productivity. Differences across sectors are also important: manufacturing benefits from importing intermediates (backward participation), especially from advanced countries, while forward participation matters more for services, consistent with their crucial role as supplying inputs to other sectors.

and 2012 an average industry across 10 European economies saw a 2-3-percentage-point increase in the share of the 10% largest companies in industry sales. Using the Orbis-Worldscope-Zephyr data, it documents a clear increase in industry concentration in Europe as well as in North America between 2000 and 2014 of the order of 5-10 percentage points for the mean industry. Focusing on digital-intensive sectors, we see more nuanced trends – concentration remains flat until about 2006, but it follows a similar growth trend as non-digital sectors in subsequent years. The next step of the research matches these concentration metrics to deal-level M&A data and firm-level data, to examine the extent to which M&As are linked to these industry concentration trends, and how industry concentration impacts firm productivity growth.



Events

The convening activities of the GFP consist in organising conferences, thematic workshops and events during which policy-makers, academics and senior officials can exchange findings, ideas and best practices in the area of productivity.

The purpose of these meetings is to gain exposure to, and discuss the state of academic research on a certain topic. GFP convening activities can involve different OECD directorates and international organisations and are hosted by the OECD or one of the Steering Group members.

In 2018, the GFP co-organized three high-level events. The first event was a conference on “Weak productivity: the role of financial factors and policies” jointly organised with the Bank for International Settlements (BIS) and the International Monetary Fund (IMF) which

took place at the OECD Headquarters on 10-11 January 2018. The second event was the 2nd LAC Ministerial Summit on “Regional trade integration and productivity” jointly organised with the Costa Rica Ministry of Foreign Trade and the World Bank which took place in San Jose on 18 April 2018. Finally, the third event was the 3rd Annual Conference of the GFP on “Firms, Workers and Disruptive Technologies – Ensuring Sustainable and Inclusive Growth” jointly organised with the Bank of Canada and Innovation, Science and Economic Development Canada which took place in Ottawa on 28-29 June.

The strong participation, the high level of representation and the wide number of countries attending these events prove the high interest on the GFP and the commitment of countries to join efforts to promote sustained productivity growth.

Joint GFP-IMF-BIS Conference

Weak productivity: the role of financial factors and policies

Financial systems play a vital role in boosting productivity growth by allocating resources efficiently and facilitating investment and innovation. Yet, financial systems are also prone to costly booms and busts, which can leave deep scars on the productive tissue of the economy. To what extent the current productivity slowdown can be explained by financial factors? What financial policies could speed up the recovery in productivity growth? The BIS-IMF-GFP conference addressed some of these questions, gathering over 200 participants including high-level policy-makers and academics from 37 countries.

Several insights from the conference are worth mentioning. Financial frictions, financial regulations and monetary policies can have significant effects on productivity by providing or hindering access to credit needed to finance productivity-enhancing investment; creating or eliminating distortions in the allocation of

credit and capital across incumbent firms; or facilitating or hampering firm turnover.

Credit financial frictions, regulations and policies can either curb or enhance the cleansing effects of crises. The net effects on aggregate productivity depend on the horizon considered. Easing credit supply during crises, for instance, can sustain productivity in the short-run via the within-firm effect and lower productivity in the longer run via misallocation and weaker cleansing effects.

While further research is needed to have a clear view on these effects, consensus emerged that policy-makers should take advantage of the lax monetary environment to achieve fiscal balance and undertake structural reforms.





2nd LAC Ministerial Summit on Productivity

Regional Trade Integration and Productivity

The 2nd Summit on Productivity continued the debate that began in Santiago de Chile in December 2016 on how to enhance productivity in Latin America. It gathered 150 participants from over 20 countries including Ministers and Vice ministers from 6 countries to discuss how regional trade integration could boost productivity growth in Latin American and the Caribbean and covered a wide range of questions around the following topics: (i) regulation, distortions, and misallocation, (ii) trade facilitation and integration in global value chains, (iii) spill-overs from foreign direct investment and productivity and (iv) firm capabilities, management and productivity.

Discussions at the conference highlighted a number of interesting insights. Latin American and Caribbean countries could boost productivity with a more efficient allocation of resources, lower entry barriers, less informality and efficient insolvency regimes. In order to

avoid red tape on regulation, it is fundamental that the market failure that motivates state intervention through public policy is always justified. Trade facilitation measures and regional trade agreements accompanied by investment in hard infrastructure (e.g. road, ports, and broadband access) have high positive impacts on productivity and in terms of integration to global value chains.

While countries can reap productivity gains from foreign direct investment, most of these gains only materialise when policies to attract investment are accompanied by measures that increase the absorptive capacity of local companies and strengthen their links with foreign firms. It was also noted that firms in line with the best practices in terms of management are more innovative and productive.

3rd Annual Conference of the GFP

Firms, Workers and Disruptive Technologies – Ensuring Sustainable and Inclusive Growth

The 3rd Annual Conference provided an excellent opportunity to exchange ideas and gathered 170 participants among which leading academics, senior government officials and industry specialists from 29 countries.

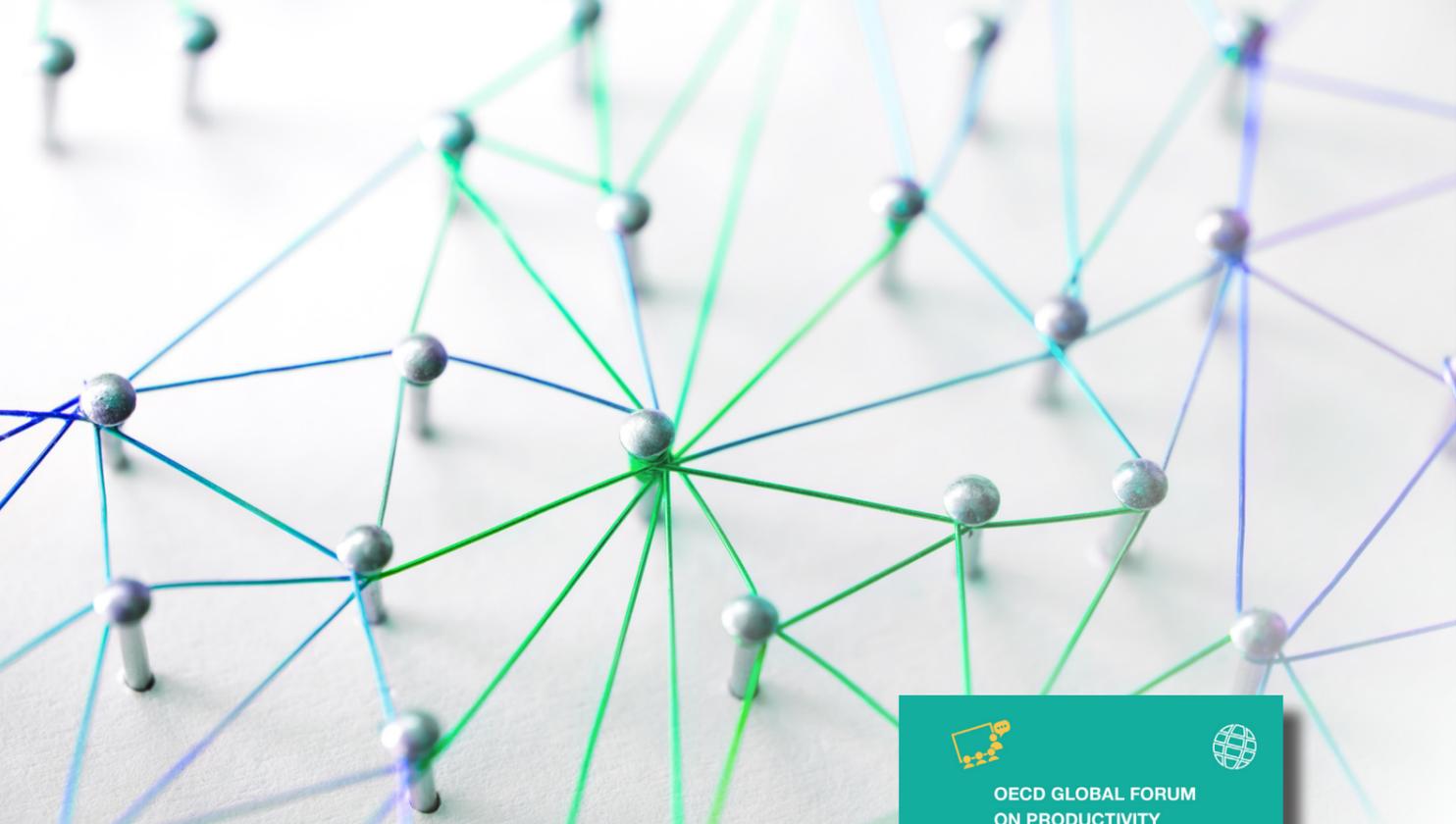
The Conference uncovered the main underlying factors of disruptive technologies and how policy can use them to achieve sustainable and inclusive growth.

A few takeaways from the discussions are the following. The general purpose nature of new technologies raises implications across many broad areas of policy and branches of government and a whole-of-government approach is needed. New technologies will continue to disrupt labour markets, but most of the impact is likely to be replacing some worker tasks, rather than entire occupations. Technology can even lead to employment

increases if they raise productivity sufficiently, and displacement could be countered by enhancing skills, re-focusing them (e.g. on entrepreneurial ones) or better exploiting skill synergies and technological complementarities.

The adoption of digital technologies across firms in Europe remains uneven and far from complete. The lack of diffusion between frontier and lagging firms could be driven by skills shortages especially in SMEs and could be exacerbated by challenges for financing intangible assets, such as data, the value of which is increasingly important but hard to estimate. In this context, innovation in financing intangibles might be key in ensuring greater diffusion through entrepreneurial ventures in intangible intensive activities such as digital services.





Communication

The communication activities of the GFP consist in disseminating information and findings related to productivity via the GFP website, the OECD Productivity Working Paper series and facilitate exchanges among GFP members via a password protected interactive platform (i.e. GFP Steering Group clearspace).

In 2018, the GFP further developed its website to give more visibility to OECD and Steering Group members' research on productivity topics, the OECD Productivity Working Paper, the "Compare your Country" tool and the events organized by the Forum. Also, the GFP increased its online presence by having a Twitter campaign for GFP conferences. Thanks to these efforts the number of visits to the GFP website increased and all GFP events during 2018 reached full capacity with documents

and presentations being downloaded hundreds of times. The work of the GFP has also inspired several articles in 2018 in top newspapers.

The GFP team is currently working on a newsletter to inform SG members about the activities of the Forum and is also developing two aspects of the website. The first aspect seeks to make the country profiles section more interactive and informative, by displaying all relevant information. The second relates to the expansion of the library section of the website to include a wide set of titles on productivity topics. Also, in view of promoting the Forum at its best, the GFP team has prepared a new flyer "The GFP at a Glance" (see picture above).

Productivity Working Papers series

Patterns of firm level productivity in Ireland
By Javier Papa, Luke Rehill and Brendan O'Connor

GVC centrality and productivity
By Chiara Criscuolo and Jonathan Timmis

Fear the walking dead
By Ana Fontoura Gouveia and Christian Osterhold

GVCS and centrality
By Chiara Criscuolo and Jonathan Timmis

The Contribution of Multinational Enterprises to Labor Productivity
By Tatiana Slobodnitsky, Lev Drucker and Assaf Geva

The GFP in the media



The Walking Debt

The GFP website

Events
+ 45% visits
in 2018

Data
+ 30% visits
in 2018



Summary

2017

2018

Analysis

- GVCs and centrality: Mapping key hubs, spokes and the periphery;
- GVC centrality and productivity: Are hubs key to firm performance?;
- Unconventional monetary policy and productivity: the risk-seeking channel (finalized);
- Industry Concentration in Europe and North America
- Mergers and Acquisitions, Concentration and Productivity (in progress)
- GVCs, productivity and Innovation (in progress);

Convening

- 2nd Annual Conference (Budapest, Hungary)
- 2nd Productivity Workshop (Berlin, Germany)
- Joint BIS-IMF-OECD conference (OECD Headquarters)
- 2nd Ministerial Summit on Productivity (San Jose, Costa Rica)
- 3rd Annual Conference (Ottawa, Canada)

Communication

- Development of a “Compare Your Country Tool”;
- Maintenance and further development of the GFP website ;
- Preparation of country profiles and recommendations – development of country-specific notes on GFP website;
- Preparation of covers for promoting events and flyers;
- IPM special issue;
- 5 Productivity Working Papers
- Maintenance and further development of the GFP website;
- 5 Productivity Working Papers;
- Visual materials for promoting the GFP (visual identities for various events, flyers, etc.)

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