

New OECD GFP Project: The Human Side of Productivity

What is the Human Side of Productivity?

Firms within the same sector differ widely in their productivity performance, and these differences have grown larger in recent years. This widening performance gap between firms, occurring together with rapid technological change, may reflect differences in firms' capabilities and incentives to make the most of the latest technologies and business practices. To devise better policies for broadly shared productivity growth, we need to understand the role of skills, management, organization and ownership for the functioning of

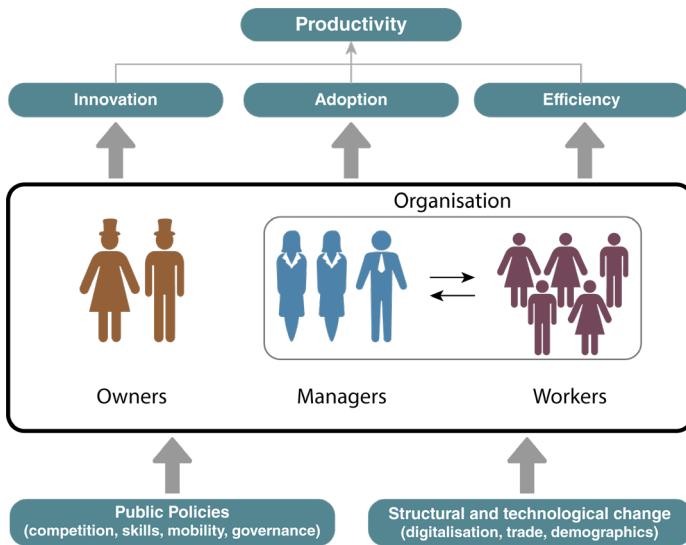
the firm. This requires looking into the 'black box' of the firm, at the 'Human Side of Productivity'.

Firms are made up of people: Owners with different incentives select and control managers with different abilities, who in turn hire and instruct a diverse workforce in terms of skills, age, gender, and cultural background. Managers also make investment decisions to equip workers with technology and training, and organize the use of technology in the firm's internal organization (Figure 1).

How do we look at people within firms? The distributed microdata approach

The research project 'The Human Side of Productivity' – supported by contributions from 19 member countries of the OECD Global Forum on Productivity (GFP) – seeks to understand how the composition and skills of owners, managers and workers, and their interactions through management and organization, affect firm-level productivity. It aims at providing a novel set of comparable stylised facts across countries on the human characteristics of successful versus less successful firms. This will improve our understanding of critical factors for firms to be successful in times of rapid technological and structural change.

Figure 1: The Human Side of Productivity



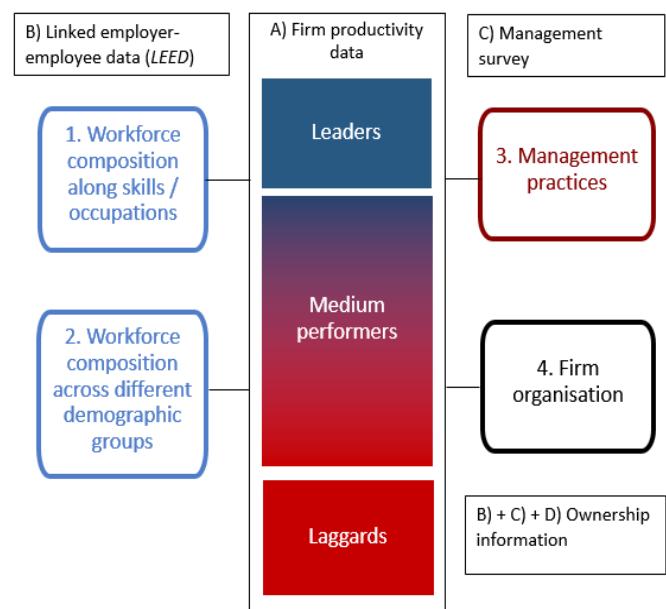
Note: Schematic overview of the role of human actors within firms. Source: OECD

Accomplishing this task requires access to detailed microeconomic data on firm productivity, combined with information from various sources on worker skills, occupations and other characteristics, and – wherever possible – on managerial practices, ownership, and organization (Figure 2). To achieve that, the project relies on a distributed microdata approach, building on the experience of the OECD MultiProd and DynEmp projects. This approach allows access to rich but confidential micro-data across countries while maximizing comparability.

What role for public policies?

Our ultimate aim is to provide new insights on how public policies can affect productivity through firms' internal composition. For example, how can labour market policies (including support for training, employment protection, occupational licensing and migration laws) or the tax-benefit system (including pension schemes and family support) change firms' internal composition in a way that improves productivity? Do corporate taxation and the financial system (debt vs equity focus; venture capital markets) also play a role through altering the selection of managers?

Figure 2: How to measure the human side of productivity?



Notes: Numbered boxes 1-4 indicate separate modules for measurement.
Capital letters A-D indicate data sources. Source: OECD.

Ongoing related distributed microdata projects at the OECD

For more information about the research project 'The Human Side of Productivity', please contact productivity@oecd.org, or visit oe.cd/GFP. The project also draws on the expertise and synergies from common access to micro data with a number of related OECD projects based on distributed microdata approaches:

- **LinkEED** examines the role of firms in wage inequality developments using cross-country LEED (LinkEED@oecd.org)
- **Start-ups and Job Quality**, a new project, will examine the quality and inclusiveness of jobs created at entrepreneurial firms using cross-country LEED (dynemp@oecd.org)
- **MultiProd studies** productivity patterns and policy drivers using cross-country firm-level data (multiprod@oecd.org; [visit our webpage](#))
- **DynEmp** studies patterns of business and employment dynamics using cross-country firm-level data (dynemp@oecd.org; [visit our webpage](#))
- **MicroBerd** investigates the structure of R&D expenditures and the role of public funding across countries using firm-level data (microberd@oecd.org; [visit our webpage](#)).