

INCOME AND PRODUCTIVITY LEVELS

Together with the analysis of growth rates, the levels of GDP per capita and GDP per hour worked are essential to assess the state of the convergence or divergence of economic performances across countries.

Definition

The differences in income levels can be decomposed into differences in labour productivity levels, measured as GDP per hour worked, and differences in the extent of labour utilisation, measured as the number of hours worked per capita. In countries with low levels of GDP per capita, the gaps in labour productivity levels are typically the most significant factor in determining differences in income. The estimates shown here are based on official OECD GDP converted to a common currency using OECD Purchasing Power Parities (PPPs) for 2006.

Comparability

Comparisons of income and productivity levels across countries require several demanding conditions. First, they require comparable data on output. All OECD countries, except Turkey, have implemented the 1993 *System of National Accounts*. For this reason, the output level in Turkey is likely to be understated relative to other OECD countries. Other differences, such as the measurement of software

investment, can also affect the comparability of GDP across countries, although these differences are usually quite small. Second, in a number of countries, employment data are derived from labour force surveys which may not be entirely consistent with the national accounts. This reduces the comparability of labour utilisation levels across countries. The measure of labour inputs also requires hours worked which are derived either from labour force surveys or from business surveys. Several OECD countries estimate hours worked from a combination of these sources or integrate these sources in a system of labour accounts, which is comparable to the national accounts. The OECD Productivity Database uses consistent estimates of employment and hours worked. Nonetheless, the cross-country comparability of hours worked remains somewhat limited, generating a margin of uncertainty in estimates of productivity levels. The third problem relates to the conversion of output from national currency into a common unit. Market exchange rates cannot be used directly, as they are volatile and reflect other factors, such as capital and trade flows. The preferred alternative is to use Purchasing Power Parities (PPPs), which measure the relative prices of the same basket of consumption goods in different countries.

GDP for Turkey is based on the 1968 *System of National Accounts*.

Overview

In 2006, GDP per capita in OECD countries ranged from over USD 39 000 in Ireland, Luxembourg, Norway and the United States to less than USD 17 000 in Mexico, Poland and Turkey. On average, income levels were about 70% of that of the United States, Norway is a notable exception with its GDP per capita 14% above that of the United States.

Relative to the United States, most OECD countries had higher levels of GDP per hour worked than GDP per capita because their levels of labour utilisation were substantially lower than in the United States. This owes to disparities in working hours but also, in several countries, to high unemployment and low participation of the working-age population in the labour market.

The difference between income and productivity levels was largest in European countries. For example, in Belgium, Ireland and the Netherlands, while productivity levels in 2006 surpassed that of the United States, income levels were considerably lower.

In several non-EU countries, such as Canada, Japan, New Zealand and Switzerland, labour utilisation in 2006 was higher than in the United States, notably in Iceland and Korea, mainly owing to relatively long working hours and high rates of labour force participation.

Sources

- OECD Productivity Database.

Further information

Methodological publications

- OECD (2001), *Measuring Productivity – OECD Manual Measurement of Aggregate and Industry-level Productivity Growth*, OECD, Paris.
- OECD (2004), “Clocking In (and Out): Several Facets of Working Time”, *OECD Employment Outlook: 2004 Edition*, Chapter 1, see also Annex I.A1, OECD, Paris.
- Pilat, D. and P. Schreyer (2004), “The OECD Productivity Database – An Overview”, *International Productivity Monitor*, No. 8, Spring, CSLS, Ottawa, pp. 59-65.

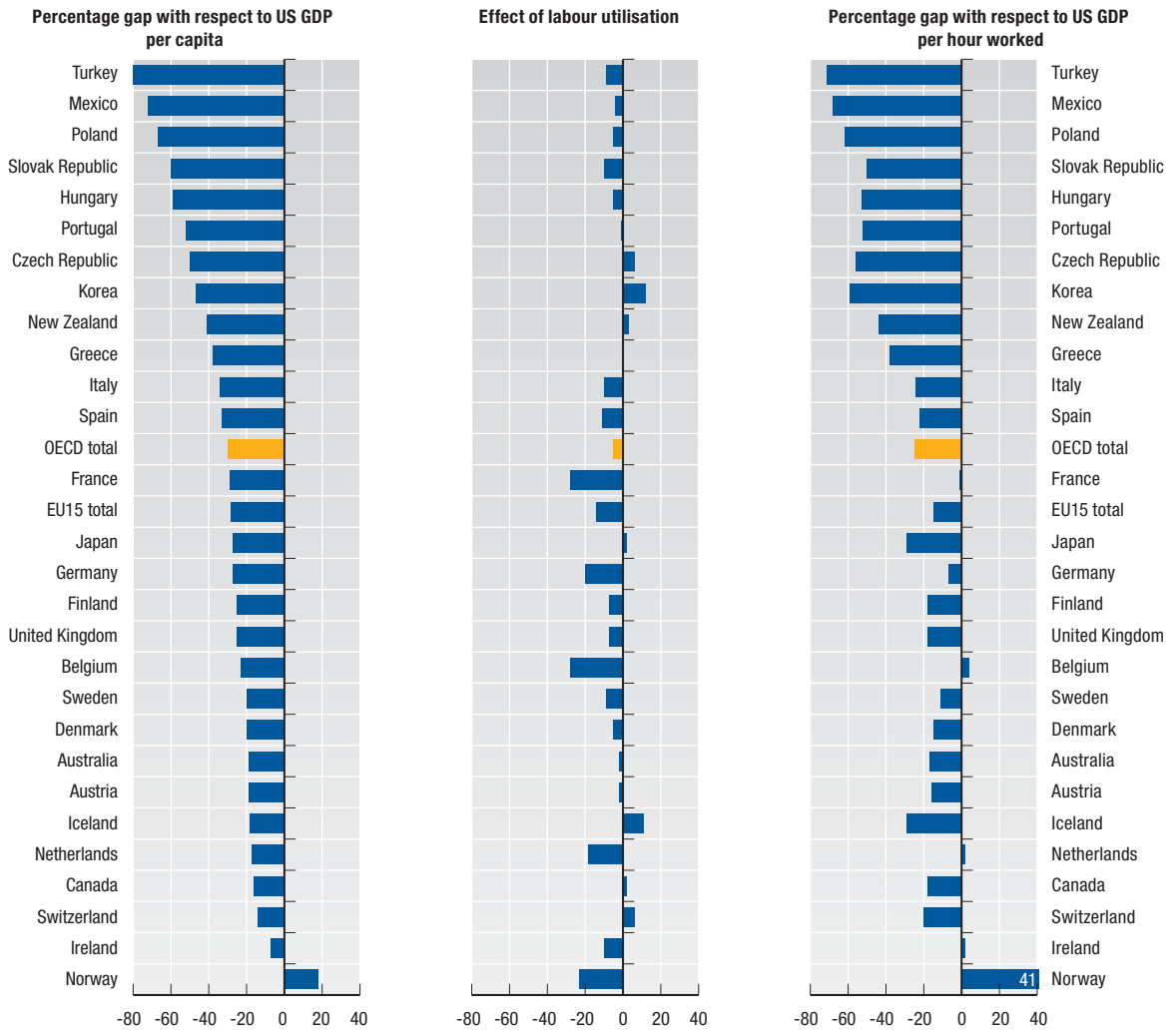
Websites

- www.oecd.org/statistics/productivity.
- www.oecd.org/statistics/productivity/compendium.

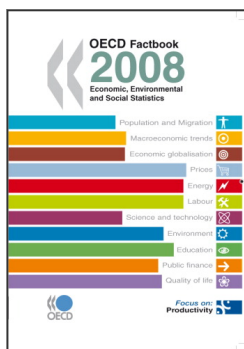


Income and productivity levels

Percentage point differences with respect to the United States, 2006



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