J.2. Average labour productivity: value added per employee

■ In addition to being larger on average than firms under national control, foreign affiliates also display higher levels of (apparent) labour productivity. Without exception, foreign affiliates have higher productivity than firms under national control. The differences between the two types of firms are especially large in Ireland and Hungary.

■ In manufacturing as well as in the services sector, value added per employee in foreign affiliates is higher than in firms under national control. On average, apparent labour productivity is higher in manufacturing industries than in services, owing to the higher capital intensity of manufacturing.

■ Differences in the sector composition of foreign affiliates and of firms under national control are an important reason for this. The fact that foreign affiliates are more often active in scale and in capital-intensive industries partially explains the difference in aggregate labour productivity.

■ Within industries as well, foreign affiliates display higher labour productivity levels than firms under national control. The fact that foreign affiliates are on average more capital-intensive contributes directly to their higher labour productivity.

Sources

- OECD, *AFA Database,* January 2010.
- OECD, *FATS Database*, January 2010.

For further reading

- OECD (1994), *The Performance of Foreign Affiliates in OECD Countries*, OECD, Paris.
- OECD (2005), *Measuring Globalisation: OECD Handbook on Economic Globalisation Indicators*, OECD, Paris, *www.oecd.org/sti/measuring-globalisation*.

Measuring apparent labour productivity

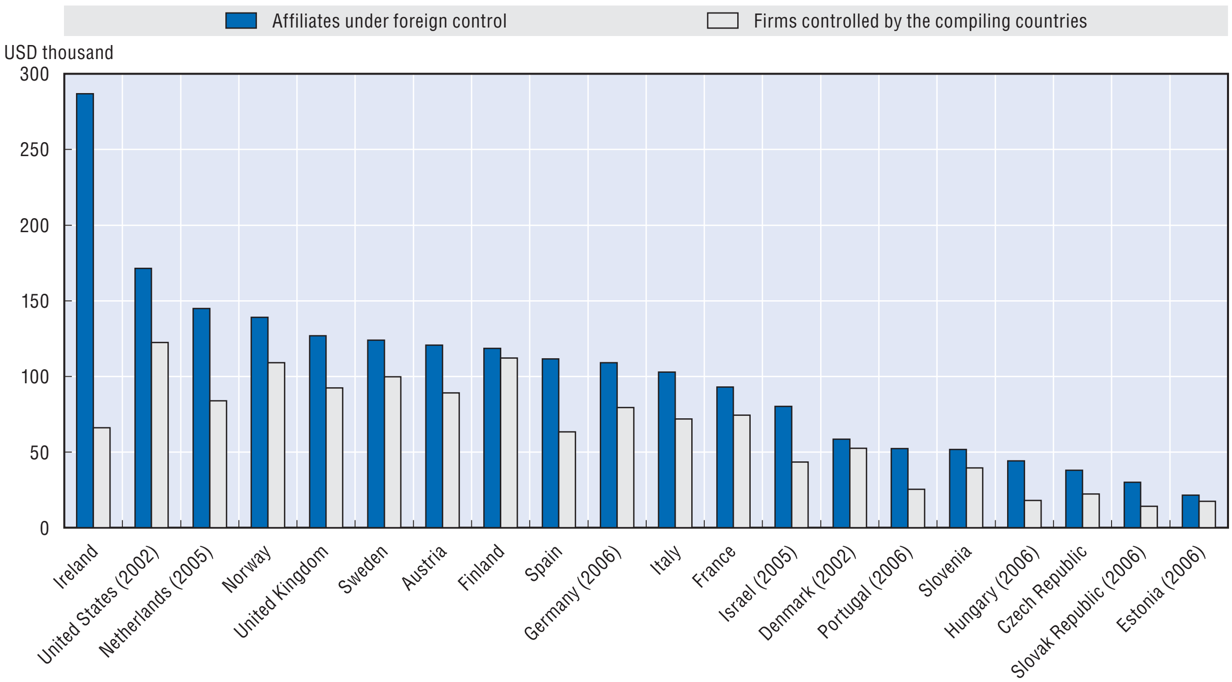
Productivity is commonly defined as the ratio between output volume and volume of inputs and measures how efficiently production inputs, such as labour and capital, are used to produce a given level of output. Productivity is considered a key source of economic growth and competitiveness and, as such, is basic statistical information for many international comparisons and for assessments of country, industry and company performance.

Apparent labour productivity is defined as the ratio of value added to number of employees and gives an idea of the productivity of the production factor labour.

Despite the progress made, the measurement of productivity still suffers from a number of statistical problems. Countries use different concepts and basic statistical sources, and this can hinder international comparability. Differences may exist in the measurement of value added (factor prices, market prices, etc.). In terms of labour input, differences in workers' educational attainment, skills and experience can also bias results. Productivity indicators in general and the indicator of apparent labour productivity should therefore be interpreted with care.

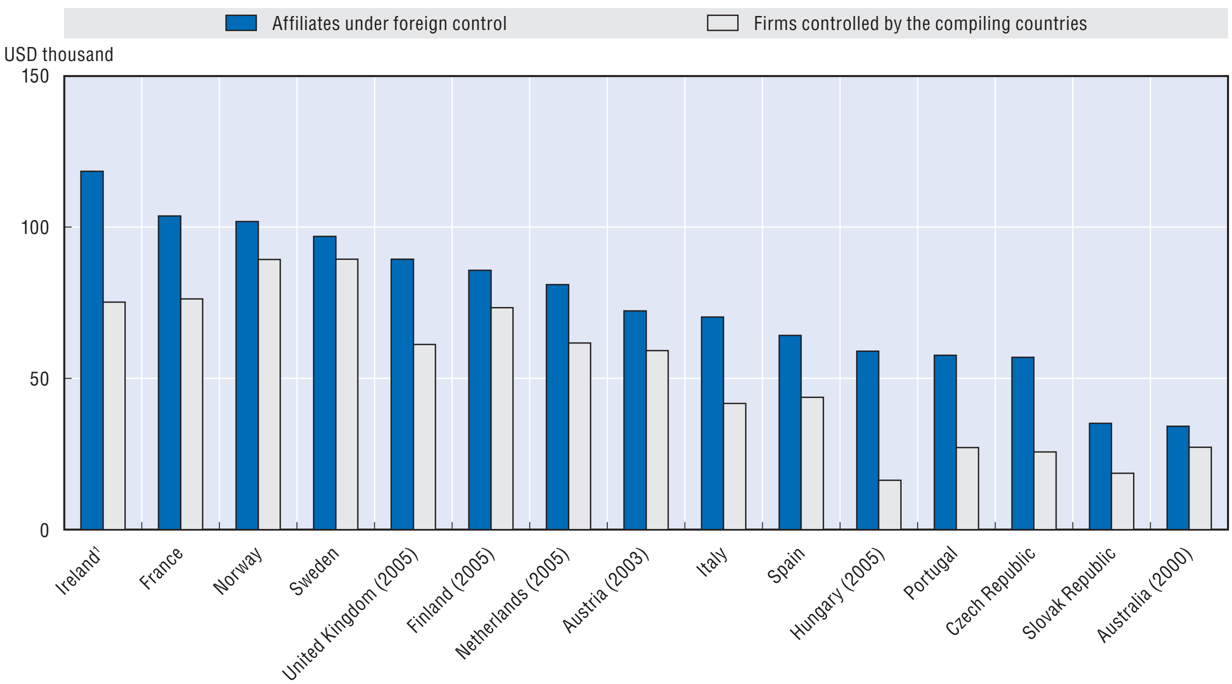
J.2. Average labour productivity: value added per employee

Figure J.2.1. **Value added per employee of foreign affiliates and national firms in manufacturing, 2007**



StatLink http://dx.doi.org/10.1787/844673702158

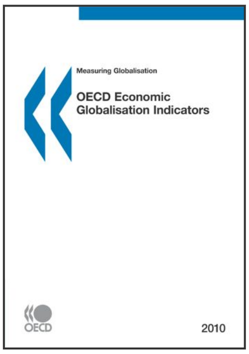
Figure J.2.2. **Value added per employee of foreign affiliates and national firms in services, 2006**



StatLink http://dx.doi.org/10.1787/844718541773

1. Enterprises with 20 employees or more.

Information on data for Israel: *http://dx.doi.org/10.1787/888932315602.*



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