LABOUR PRODUCTIVITY GROWTH

Labour productivity growth is a key dimension of economic performance and an essential driver of changes in living standards.

Definition

Labour productivity is defined as GDP per hour worked. Growth in per capita GDP is broken down into the contribution of labour productivity growth, on one side, and changes in labour utilisation (measured as hours worked per capita), on the other. Changes in living standards can result from changes in labour productivity (GDP per hours worked) and in labour utilisation (hours worked per person employed and employment per capita). High labour productivity growth can reflect greater use of capital and/or falling employment of low-productivity workers.

The indicators shown here are based on measures of GDP and population coming from the *OECD Annual National Accounts*. Actual hours worked are derived from either the *OECD Annual National Accounts* or from the *OECD Employment Outlook*. Hours worked reflect regular hours worked by full-time and part-time workers, paid and unpaid overtime, hours worked in additional jobs, and time not worked because of public holidays, annual paid leaves, strikes and labour disputes, bad weather, economic conditions and other reasons.

For zone aggregates, GDP estimates have been converted to constant US dollars using 2000 constant Purchasing Power Parities (PPPs).

Comparability

Although National Accounts data are based on common definitions, methods used by countries may differ in some respects. In particular, data on hours worked are based on a range of primary sources. In most countries, the data are drawn from Labour Force Surveys, but other countries rely upon establishment surveys, administrative sources or a combination of both. For several EU countries, hours data are OECD estimates based on the Spring European Labour Force Survey, supplemented by information from other sources on hours not worked. Annual working hours for non-European countries are provided by national statistical offices. In general, these data are most suited for comparing changes rather than levels of hours worked across countries.

The estimates shown here are not adjusted for differences in the business cycle; cyclically adjusted estimates might show different patterns.

Data for EA17 exclude Cyprus and Malta.

Overview

Over the period 2001-07, average growth in GDP per capita was rather contrasted across countries with highest rates recorded by Korea and several countries from Eastern Europe, the slowest growth was showed by Italy, Mexico and Spain. Growth in income over the same period was essentially driven by growth in labour productivity.

The downturn of 2008-09 contributed to slowdown economies' growth performance and, in some cases (*i.e.* Estonia, Iceland and Ireland) led to a significant decline in the labour utilisation.

In 2010, income and productivity growth bounced back strongly in the majority of countries as they moved out of recession, while the labour market's recovery was much slower and unemployment remained high in most countries.

Sources

- OECD (2011), *OECD Productivity Statistics* (database).

Further information

Analytical publications

- Ahmad, N., F. Lequiller, P. Marianna, D. Pilat, P. Schreyer and A. Wölfl (2003), "Comparing Labour Productivity Growth in the OECD Area: The Role of Measurement", *OECD Science, Technology and Industry Working Papers*, No. 2003/14.

Methodological publications

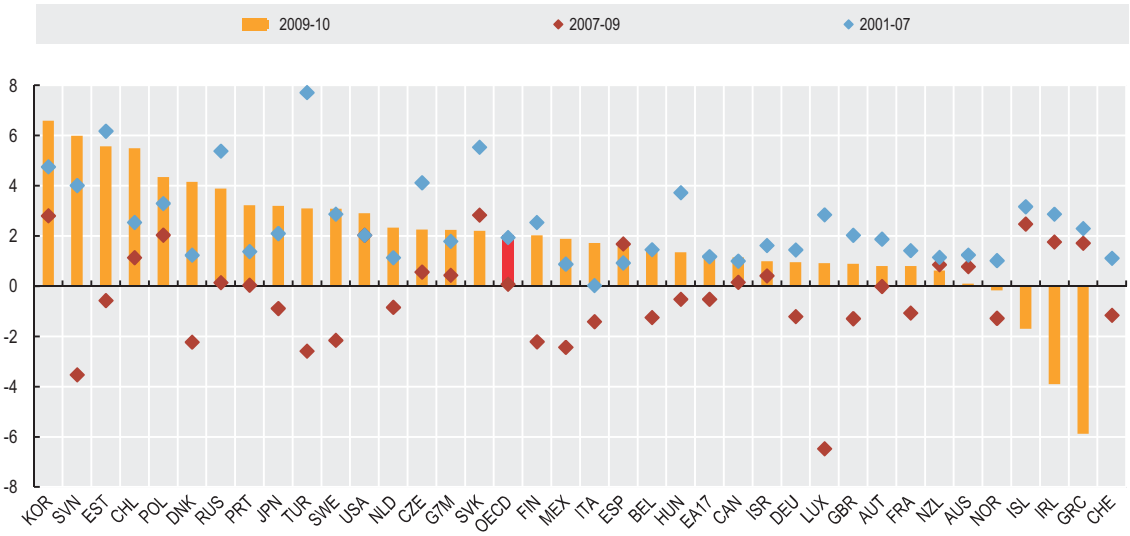
- Ark, B. van (2004), "The Measurement of Productivity: What Do the Numbers Mean?", in Klomp, L. (ed.), *Fostering Productivity: Patterns, Determinants and Policy Implications (Contributions to Economic Analysis, Volume 263)*, Emerald Group Publishing Limited, pp. 29-61.
- OECD (2004), "Clocking In (and Out): Several Facets of Working Time", *OECD Employment Outlook: 2004 Edition*, OECD Publishing. See also Annex I.A1.
- OECD (2001), *Measuring Productivity – OECD Manual: Measurement of Aggregate and Industry-level Productivity Growth*, OECD Publishing.
- Pilat, D. and P. Schreyer (2004), "The OECD Productivity Database – An Overview", *International Productivity Monitor*, No. 8, Spring, CSLS, Ottawa, pp. 59-65.
- Schreyer, P. and D. Pilat (2001), "Measuring Productivity", *OECD Economic Studies*, OECD Publishing.

Websites

- OECD Compendium of Productivity Indicators, *www.oecd.org/statistics/productivity/compendium*.
- OECD Productivity, *www.oecd.org/statistics/productivity*.

Growth in GDP per hour worked

Average annual growth in percentage



StatLink http://dx.doi.org/10.1787/888932503474

Contribution of labour productivity and labour utilisation to GDP per capita

Percentage change, annual rate

StatLink http://dx.doi.org/10.1787/888932503493