

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. 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 OECD's 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).

Overview

Labour productivity growth varies considerably among countries. Over the period 1995-2000, labour productivity growth ranged between 4.8% and 6.2% in Ireland, Korea, Poland and the Slovak Republic, while it was below 1.0% in Italy and Spain.

In several OECD countries, labour productivity accelerated in the second half of the 1990s but slowed in the first half of the new millennium. The Czech Republic was the only country experiencing a strong increase in labour productivity growth in 2001-2008 compared to the period 1995-2000. Over the same period, labour productivity growth fell in Ireland, Poland and Portugal.

Labour productivity growth is a major determinant of changes in living standards, as measured by GDP per capita. For the OECD area as a whole, labour productivity growth accounted for the entire rise in GDP per capita, while labour utilisation declined marginally. In Portugal, France, Germany, the United States, Japan, the United Kingdom, Sweden, Ireland, Iceland and Korea labour productivity growth accounted for 90% or more of the rise in GDP per capita. In most of these countries, rates of labour utilisation in the years 2001-2008 fell in absolute terms.

Comparability

Although National Account 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.

Sources

- OECD Productivity 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, OECD, Paris.

Methodological publications

- OECD (2001), "The Measurement of Productivity: What Do the Numbers Mean?", *Measuring Productivity – OECD Manual Measurement of Aggregate and Industry-level Productivity Growth*, Chapter 3, pp. 29-61, 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.
- Schreyer, P. and D. Pilat (2001), "Measuring Productivity", *OECD Economic Studies*, OECD, Paris.
- Van Ark, B. (2004), "The Measurement of Productivity: What Do the Numbers Mean?", *Fostering Productivity – Patterns, Determinants and Policy Implications*, G. Gelauff, L. Klomp, S. Raes and T. Roelandt (eds.), Elsevier, Amsterdam; Boston, Chapter 3, pp. 29-61.

Web sites

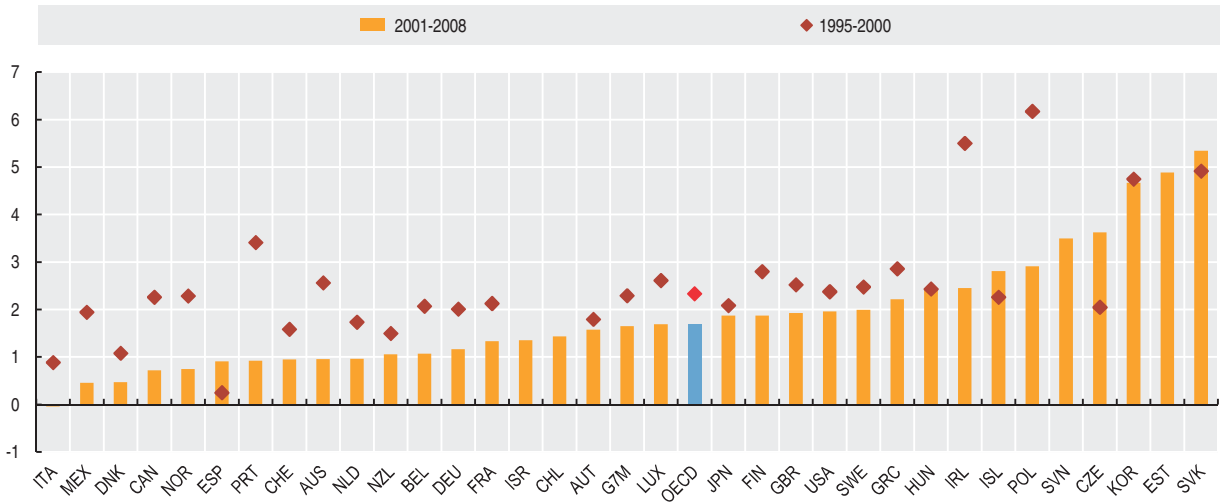
- OECD Compendium of Productivity Indicators, www.oecd.org/statistics/productivity/compendium.
- OECD Productivity, www.oecd.org/statistics/productivity/.



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Growth in GDP per hour worked

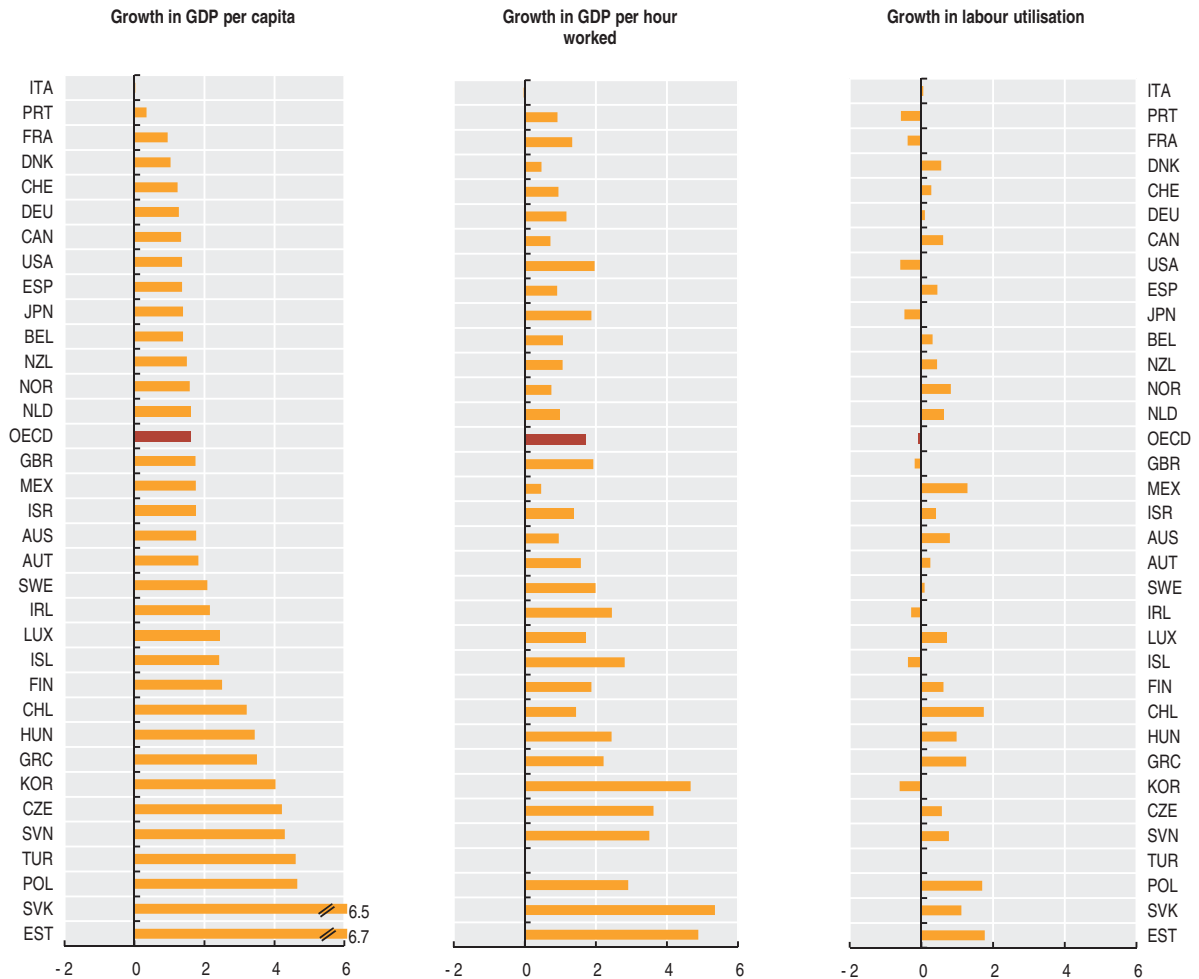
Average annual growth in percentage



StatLink <http://dx.doi.org/10.1787/818262068028>

Contribution of labour productivity and labour utilisation to GDP per capita

Percentage change 2001-2008, annual rate



StatLink <http://dx.doi.org/10.1787/818276564572>



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