



PRODUCTIVITY AND COMPETITIVENESS: A LOOK AT THE KEY STRUCTURAL DRIVERS

Alain de Serres

Head of Structural Policies Surveillance Division
Economics Department, OECD

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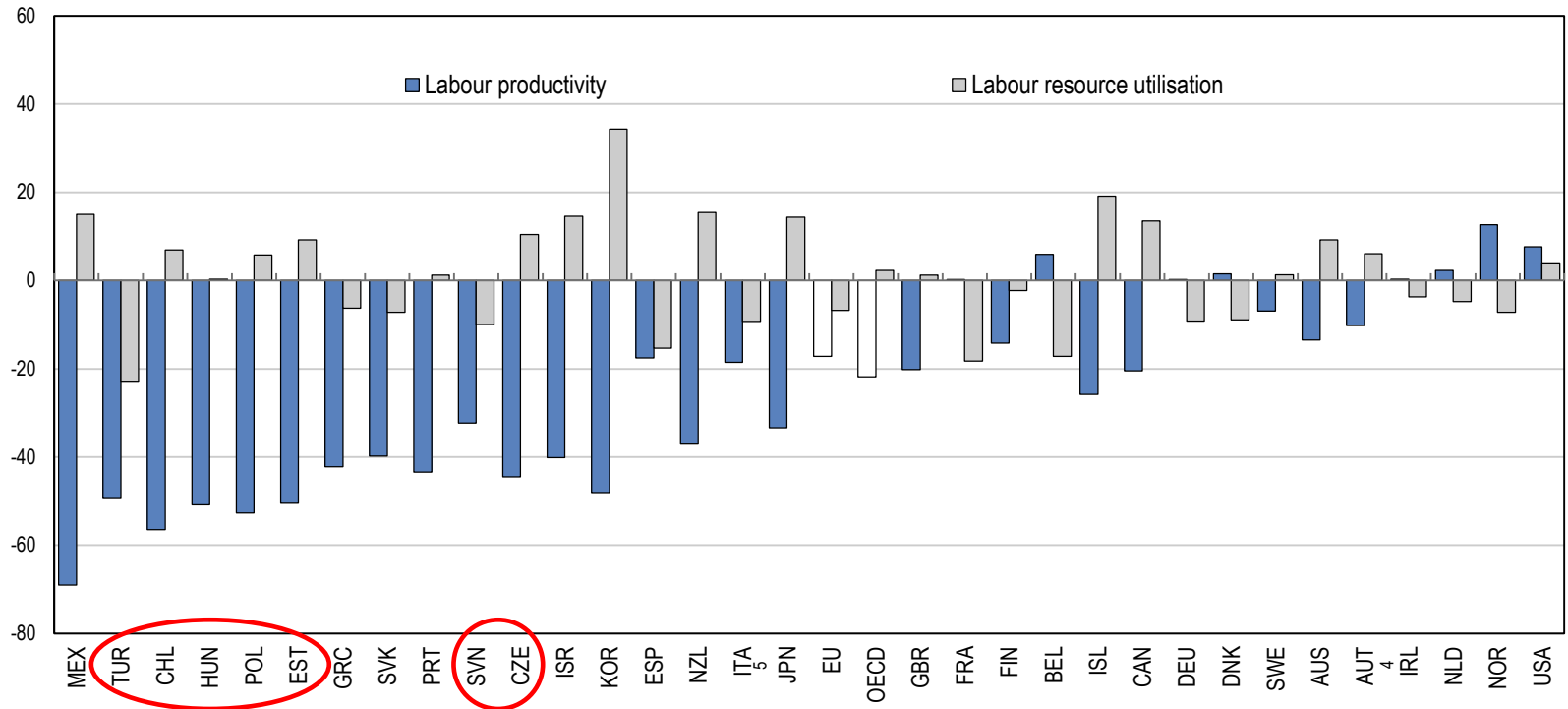


Roadmap

- Closing the productivity gap vis-à-vis leading countries will be key to maintaining competitiveness in CESEE countries.
- Future productivity growth will depend on the capacity of firms to harness the forces of knowledge diffusion from frontier firms.
- Structural factors shaping diffusion include global connections, investment in KBC and an efficient allocation of resources.
- Policy areas include pro-competition reforms (entry/exit), closer collaboration between firms and universities, access to early stage VC and stronger mobility.

Differences in GDP per capita mostly reflected in productivity gaps

Percentage differences compared with the upper half of OECD countries, 2013



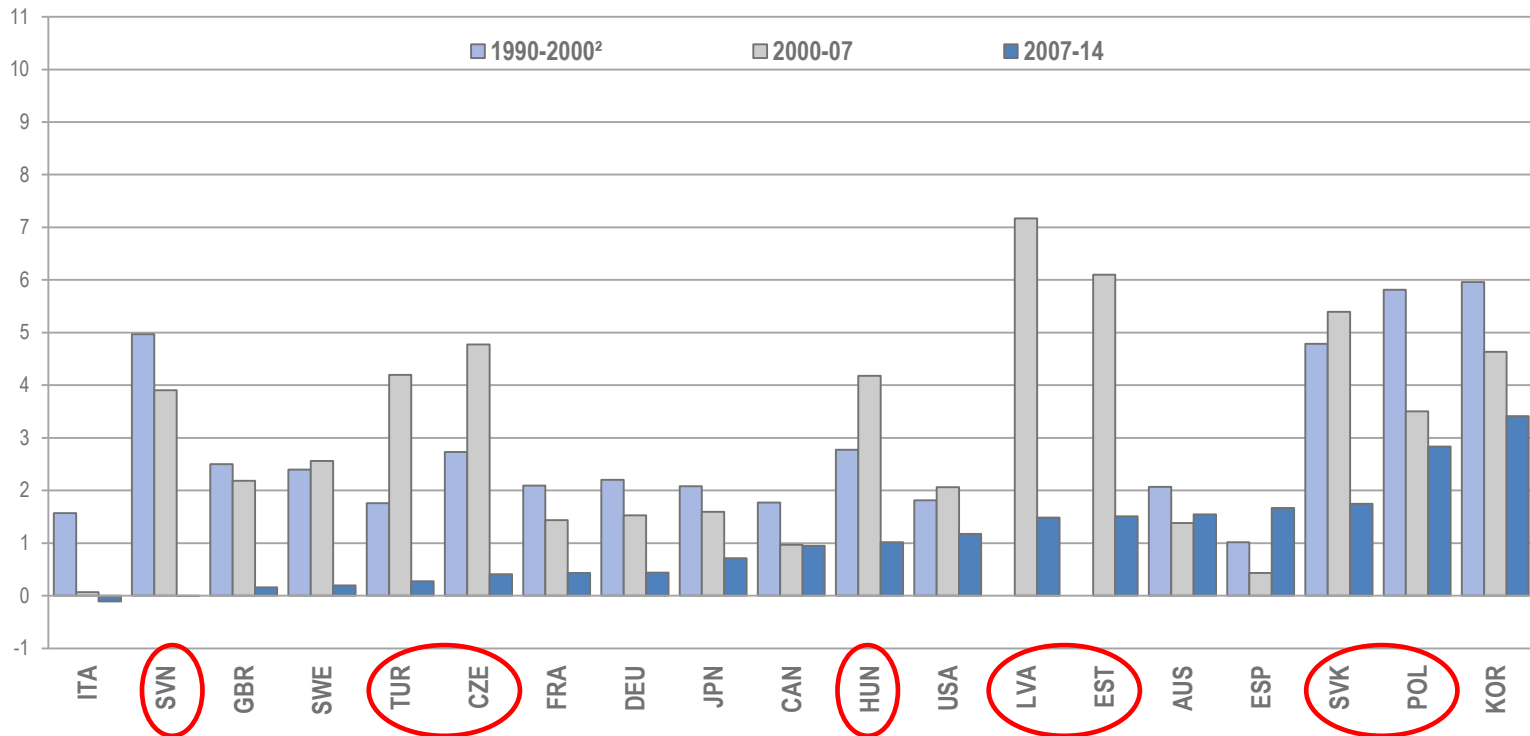
Considering the size of the gap in CESEE countries diffusion of technology and knowledge remains vital



Productivity slowed sharply also in CESEE countries

Labour productivity growth since 1990
GDP per hour worked

Percentage

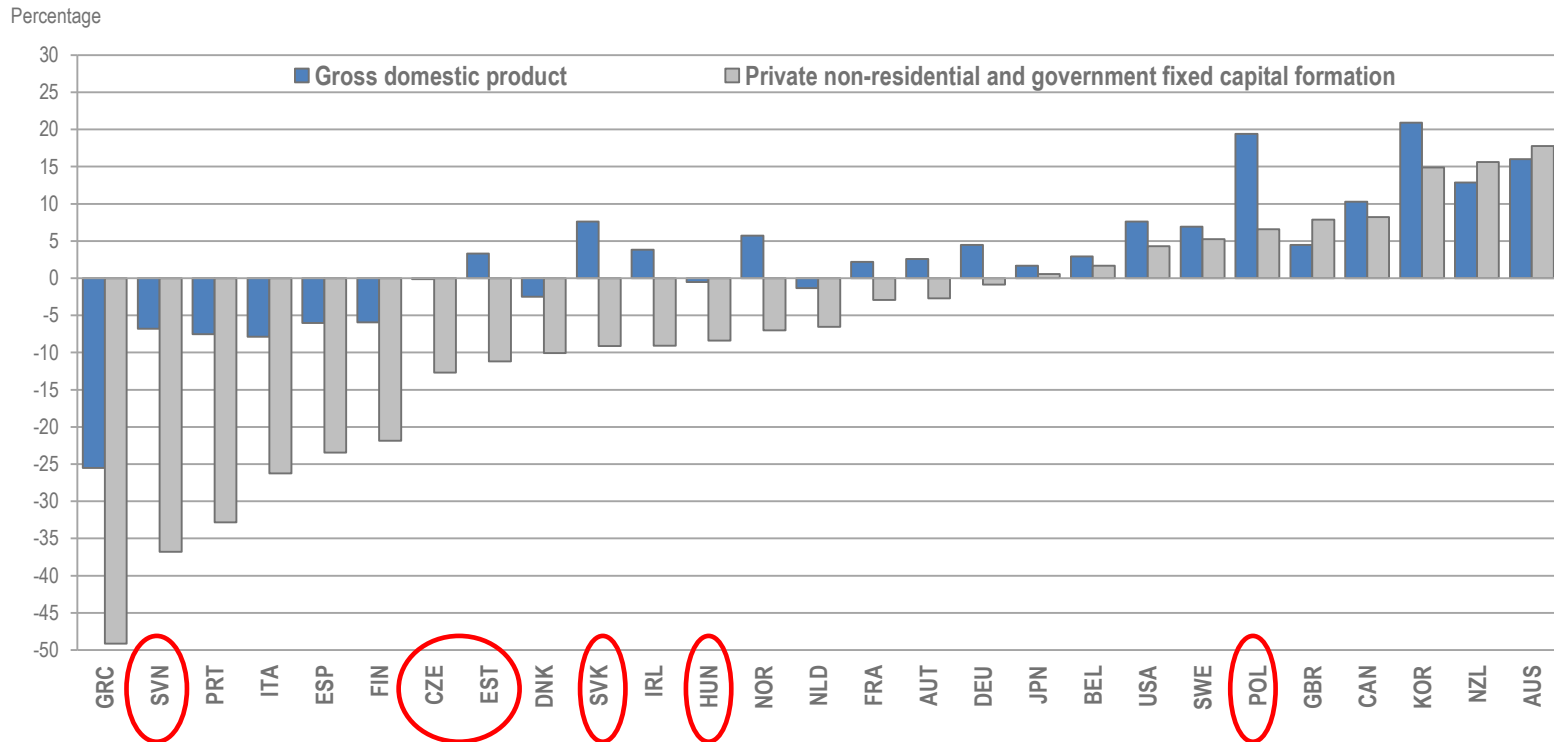


The slowdown preceded the crisis in most advanced countries: Not so in CESEE countries, except Poland



Investment is lagging GDP

Distance between the 2014 and 2008 level, percentage of the 2008 level



With the lag being particularly severe in Europe. CESEE countries are no exceptions.



Factors shaping the diffusion of know-how and technology

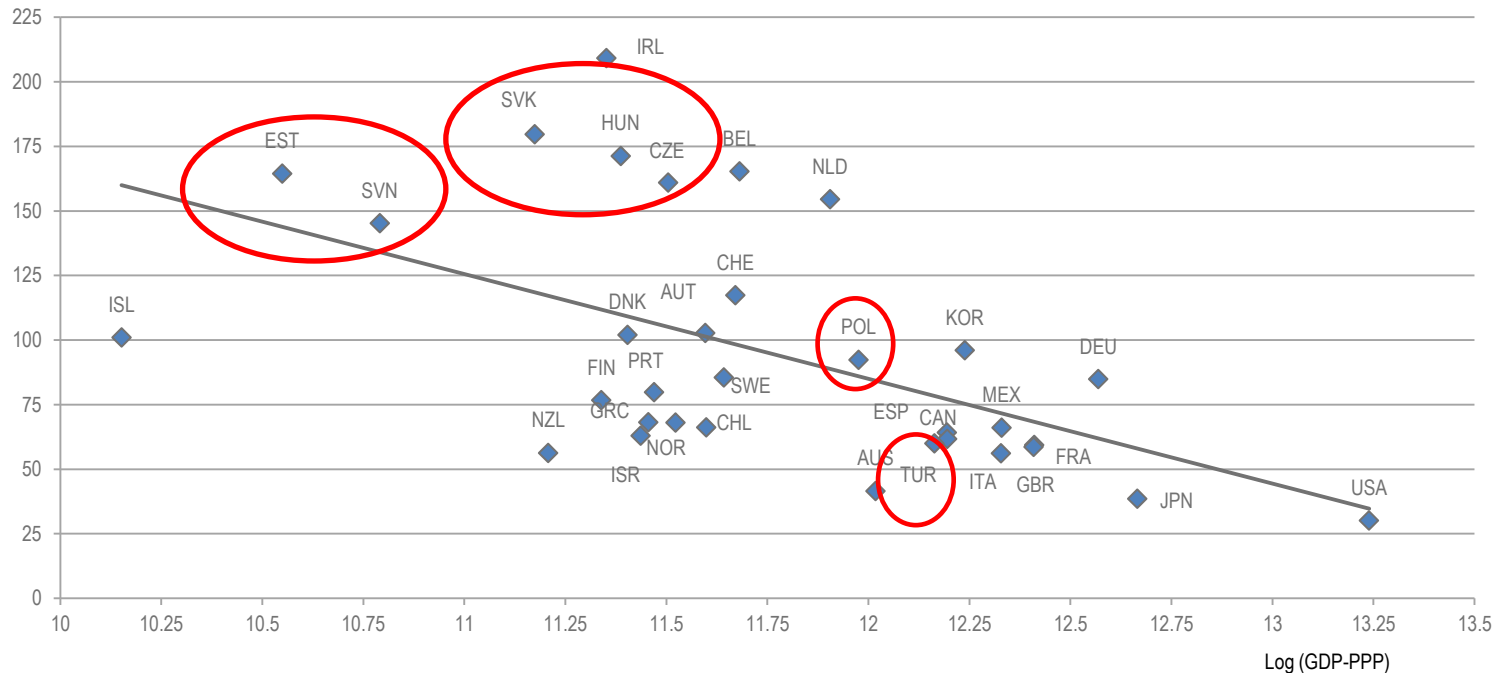
- Global connectedness:
 - Trade intensity and participation in GVCs
- Innovation and knowledge-based capital:
 - Combining technological advances, organizational changes and human skills to harness the power of digitization
- Efficiency of resource allocation:
 - The rapid scaling-up of most innovative firms requires that resources be able flow from low- to high-productivity firms.



CESEE countries benefit from high cross-border trade intensity

Trade intensity and country size (GDP)

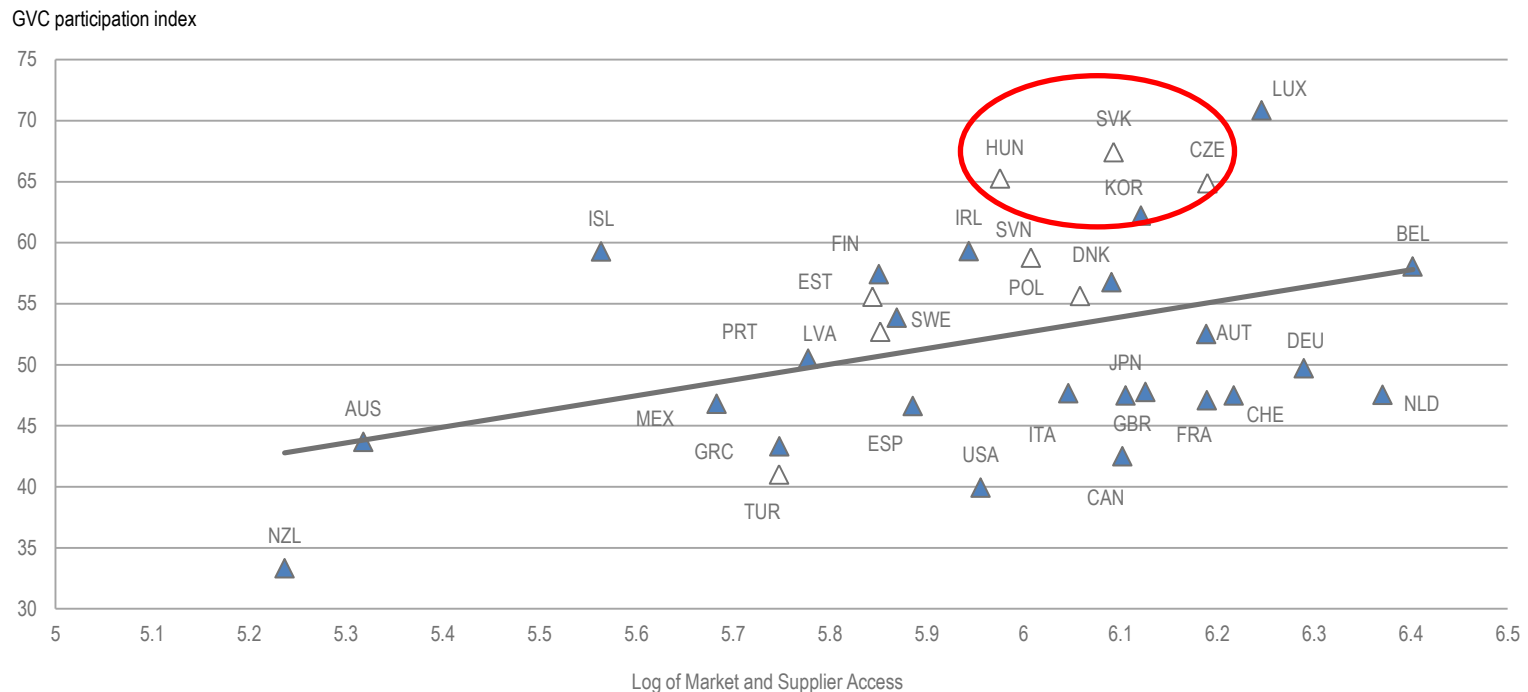
Exports and imports of goods and services, % GDP



Even controlling from country size, some of them are among the best connected in trade networks

They are also well integrated in GVCs

Integration into GVCs and access to large and open markets

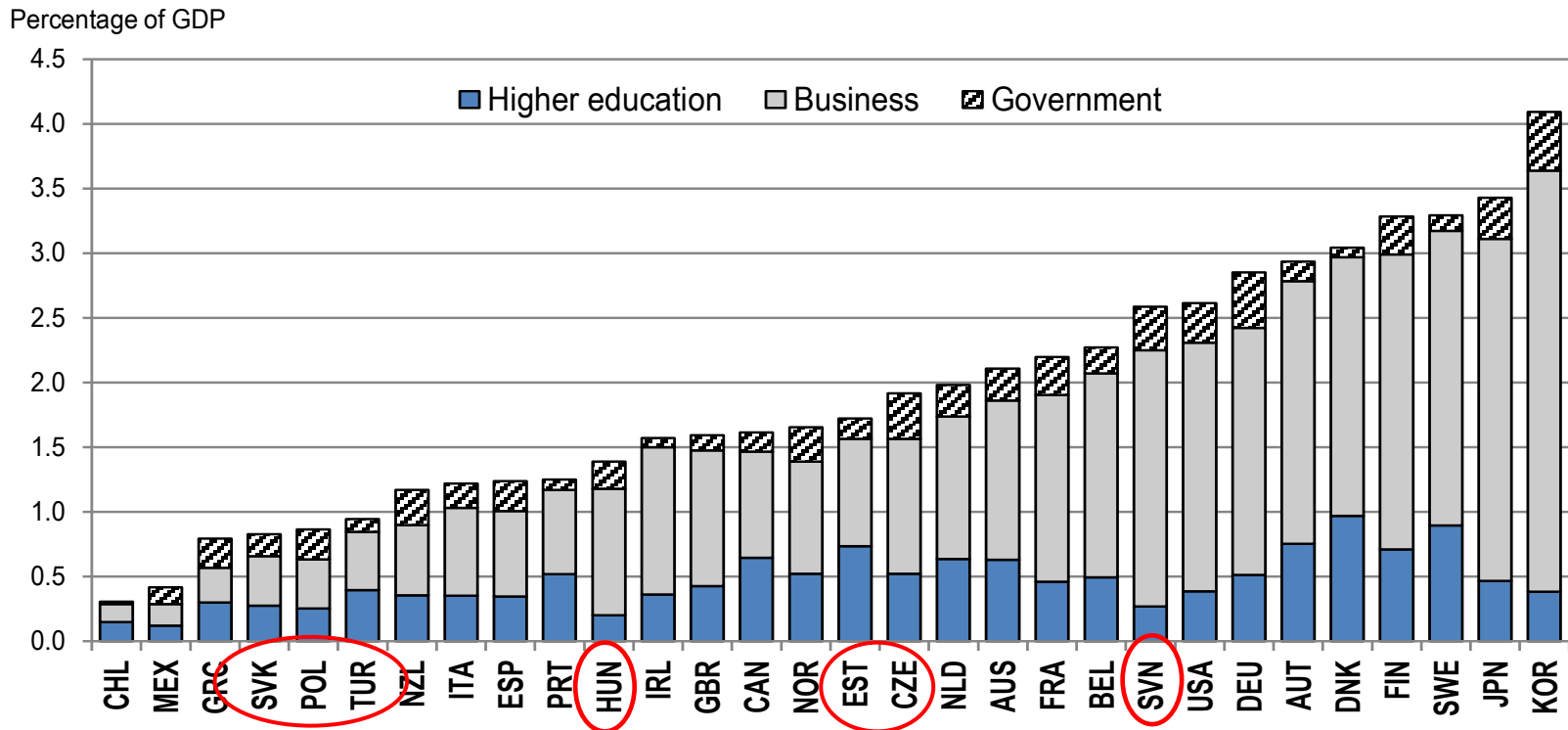


Taking fully advantage of their proximity to a large market



Trade openness is not sufficient to move up the value chain

R&D spending as a percentage of GDP, 2013

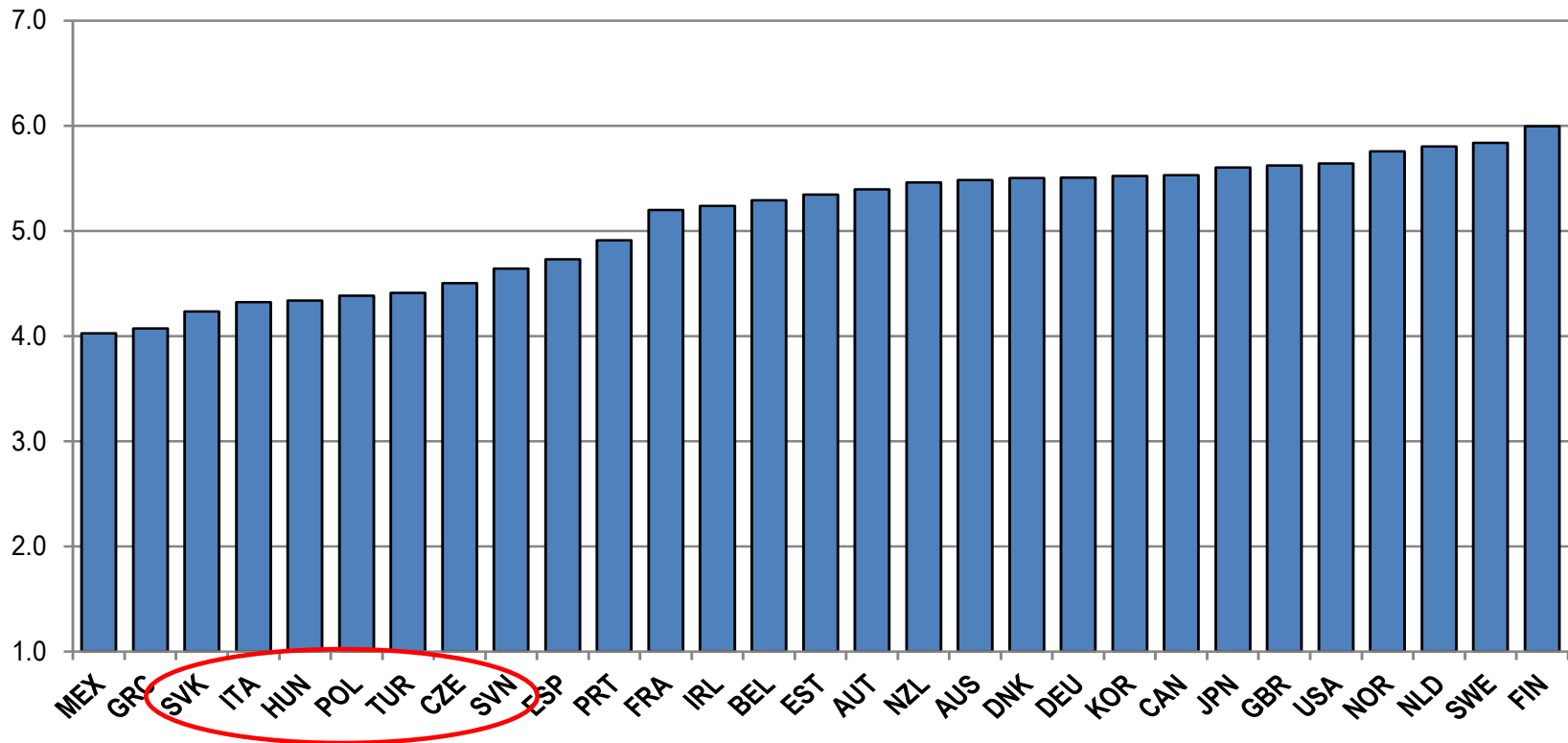


Complementary investments in R&D, skills, organisational know-how (managerial quality) and other forms of KBC are key to absorb, adapt and reap the benefits of technologies



There is more to innovation than R&D

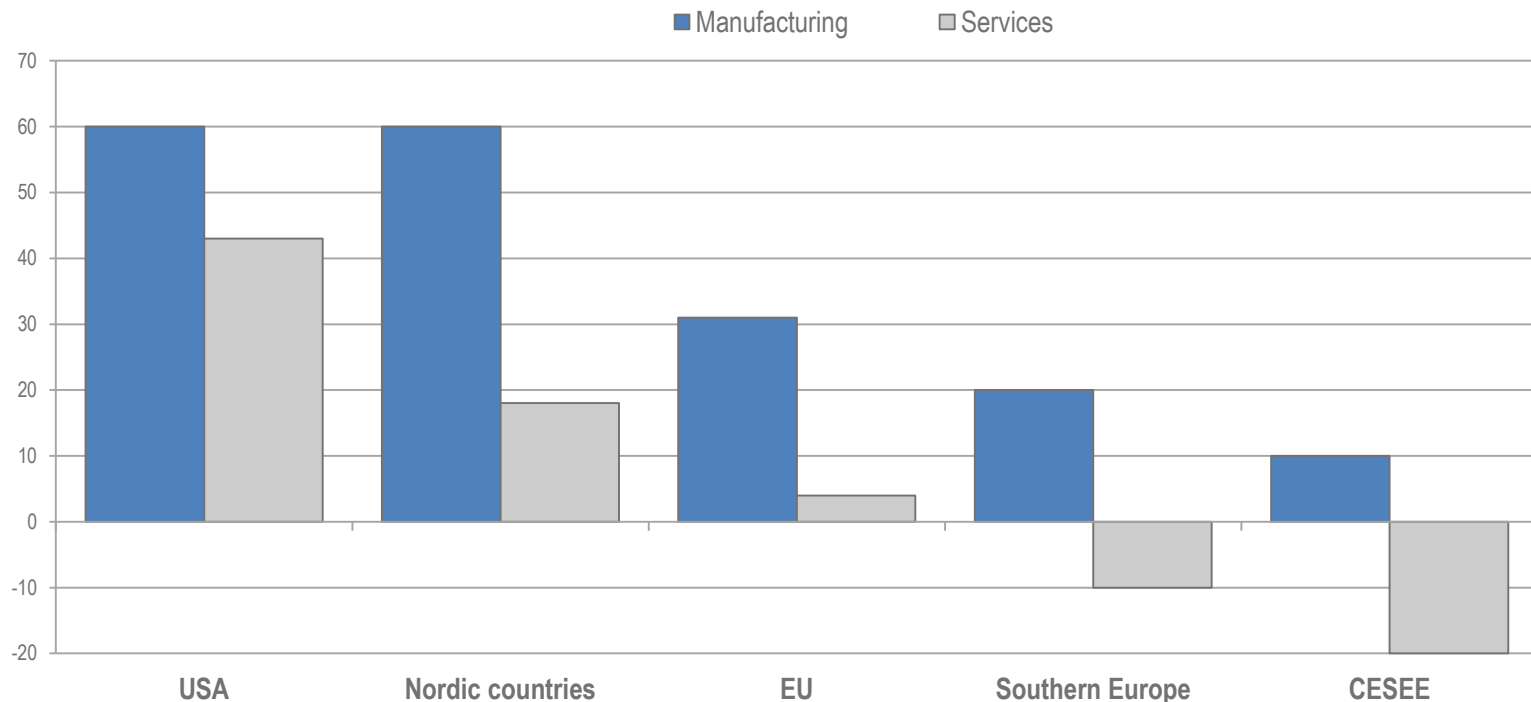
ICT readiness and usage among population, businesses and governments
Index scale from 1 (lowest) to 7 (highest), 2015



*The capacity of countries to leverage ICT is also fundamental =>
Points to the importance of ICT infrastructure and related regulatory
framework.*

Efficient resources allocation is vital for making the most of innovation and ICT

Contribution of the allocation of employment to the level of productivity.
Per cent (mid-2000s)

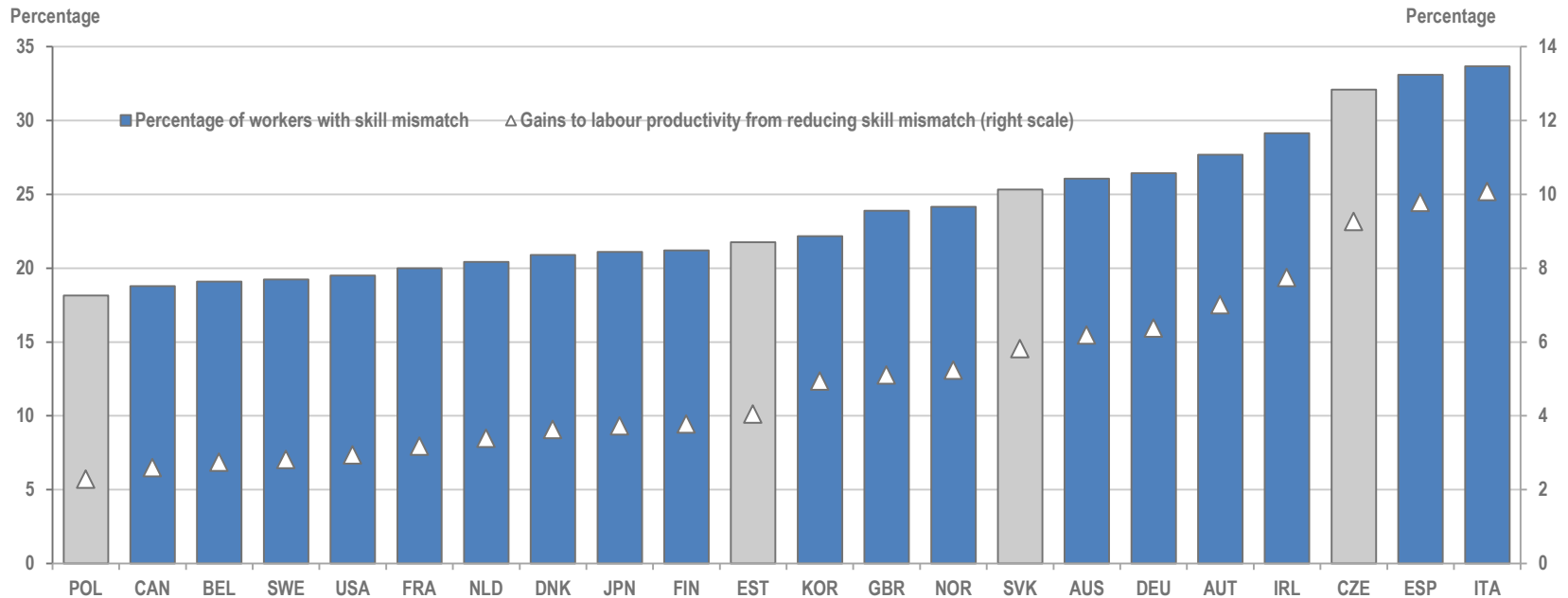


Large productivity gains could be achieved from channelling resources to low- to high-productivity firms. =>points to the importance of policies facilitating firm entry and exit



The mismatch of skills also act as a constraint on productivity

Percentage of workers with skill mismatch and implied gain in productivity from reducing mismatch, 2011-12

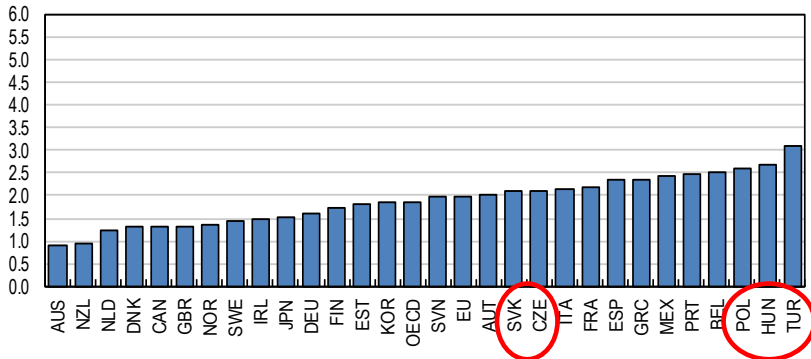


***Constrains the ability of firms to attract skilled worker and grow.
=> Points to the importance of adult learning programmes but
also housing policies (in addition to firm turnover).***

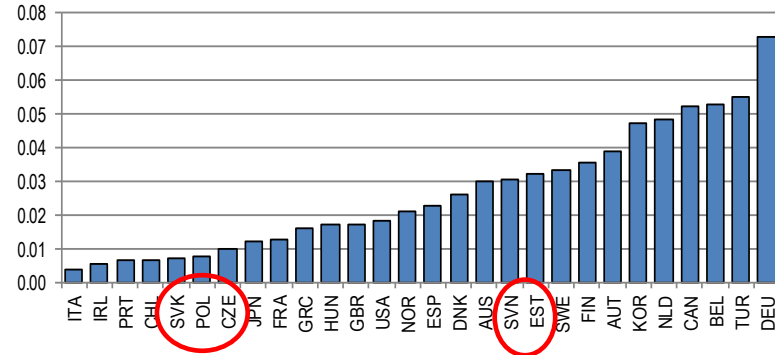


Policy areas that can promote productivity diffusion from frontier to lagging firms

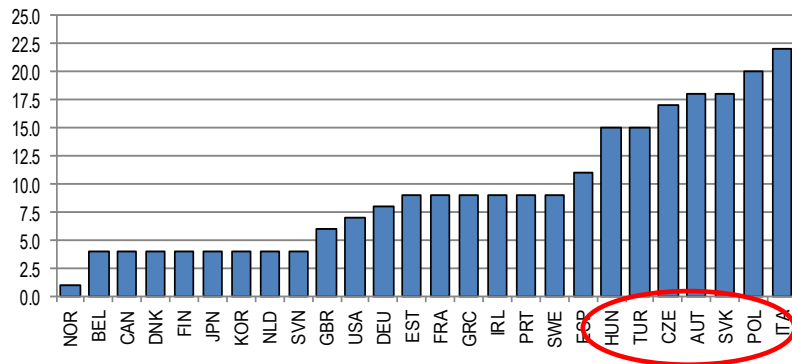
Administrative burdens on startups, 2013
Index scale of 0-6 from least to most restrictive



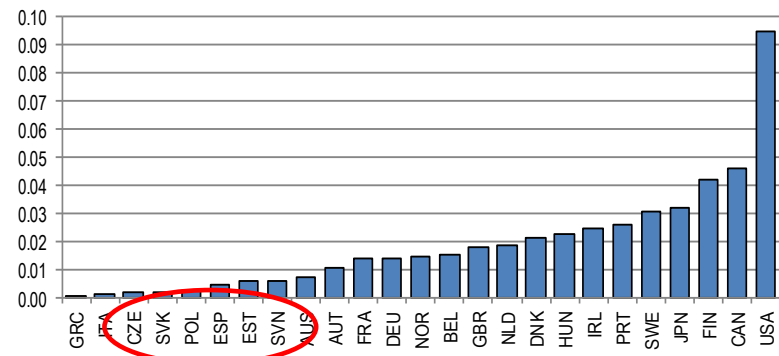
Privately-funded R&D performed in the higher-education sector
% of GDP, 2013



Cost of bankruptcy, % of estate



Seed/start-up/early stage Venture capital, % GDP, 2014



This is about facilitating firm entry and exit, the extent of collaboration between firms and universities and the funding of entrepreneurship



References

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- Adalet McGowan, M. and Andrews, D. (2015), “Labour Market Mismatch and Labour productivity: Evidence from PIAAC”, OECD WkP 1209
- Andrews, D. and F. Cingano (2014), “Public Policy and Resource Allocation: Evidence from Firms in OECD Countries” *Economic Policy*, No. 29(78)
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