

LABOUR PRODUCTIVITY LEVELS

Productivity is a measure of the efficiency with which available resources are used in production. Labour productivity, together with use of labour resources, is one of the main determinants of living standards.

Definition

Labour productivity is measured as GDP per hour worked. The estimates shown here are based on OECD Annual National Accounts data on GDP at current prices, converted to a common currency using OECD Purchasing Power Parities (PPPs) for 2008.

Differences in GDP per capita levels vis-à-vis the United States can be decomposed into differences in labour productivity levels and differences in the extent of labour utilisation, measured as the number of hours worked per capita.

Comparability

Comparisons of productivity and income levels across countries first require comparable data on output. All OECD countries have implemented the 1993 *System of National Accounts*. However, there are differences such as the measurement of software investment that can affect the comparability of GDP across countries, although these

differences are usually small. Second, in a number of countries, employment data are derived from labour force surveys that may not be entirely consistent with national account concepts; this reduces the comparability of labour utilisation across countries. Third, the measure of labour inputs also requires hours worked data, 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 limited, generating a margin of uncertainty in estimates of productivity levels.

A final 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 a range of factors. The preferred alternative is to use Purchasing Power Parities (PPPs), which measure the prices of the same basket of consumption goods in different countries.

Overview

In 2008, labour productivity ranged from over 70 USD in Norway and Luxembourg to less than 20 USD in Chile and Mexico. Gaps in GDP per capita relative to the United States ranged from around 70% in Mexico, Turkey and Chile and 20% or less in Australia, Canada and several European countries. In Norway and Luxembourg, GDP per capita levels were higher than in the US. Much of the differences in GDP per capita reflect differences in labour productivity, with gaps relative to the United States ranging between 60% or more in Chile, Mexico, Poland and Estonia, to 5% or less in France, Belgium, Ireland and the Netherlands, with Norway and Luxembourg recording higher labour productivity than in the US.

Cross-country differences in labour utilisation were significantly smaller than in the case of GDP per capita and per hour. In Belgium and France, lower labour utilisation accounted for 87% (i.e. 26 points out of the 30 points gap in GDP per capita) and 92% (i.e. 23 points out of 25 points gap in GDP per capita), respectively, of the gap in living standard relative to the US, while in Turkey the contribution of lower labour utilisation was only 20%. In 2008, several non-EU countries (Canada, Iceland, Japan, Korea, New Zealand and Switzerland) recorded higher levels of labour utilisation than in the United States, contributing to narrow their gap in GDP per capita. Cross-country differences in labour utilisation reflect high unemployment and low participation rates of the working age population, on the one hand, and lower working hours among employed people, on the other hand.

Sources

- OECD National Accounts Statistics.
- 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.

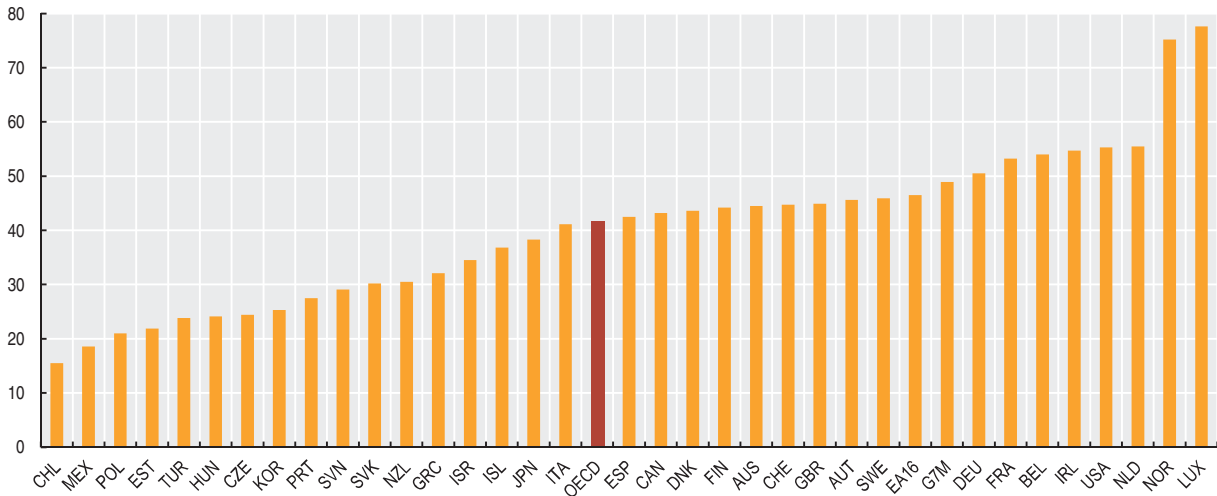
Web sites

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



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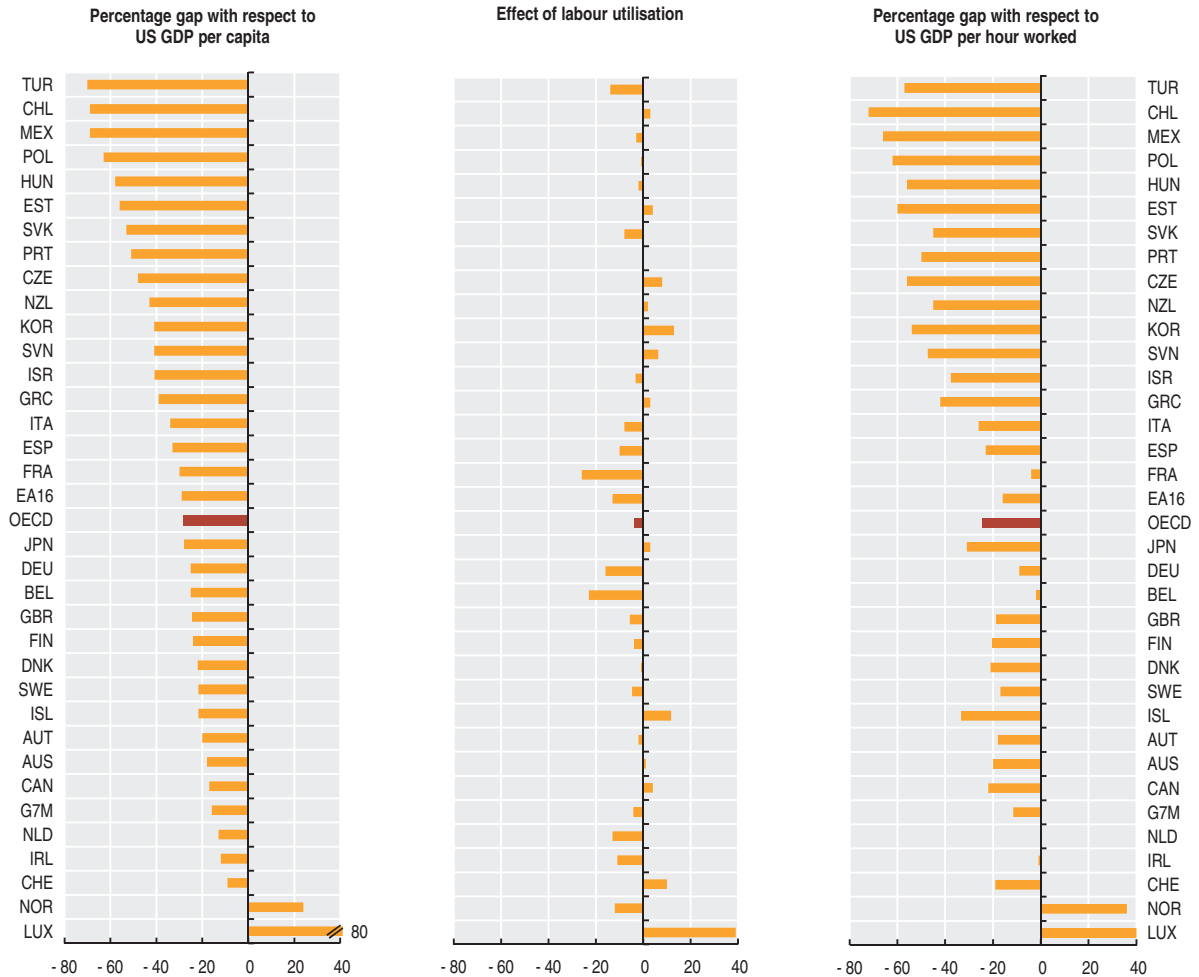
GDP per hour worked
US dollars, current prices and PPPs, 2008



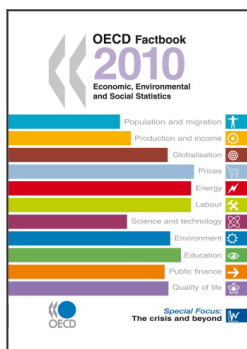
StatLink <http://dx.doi.org/10.1787/818246855568>

Levels of GDP per capita and labour productivity

Percentage point differences with respect to the United States, 2008



StatLink <http://dx.doi.org/10.1787/818248323450>



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