



STIMULATING PRODUCTIVITY GROWTH: THE ROLE OF PUBLIC POLICY

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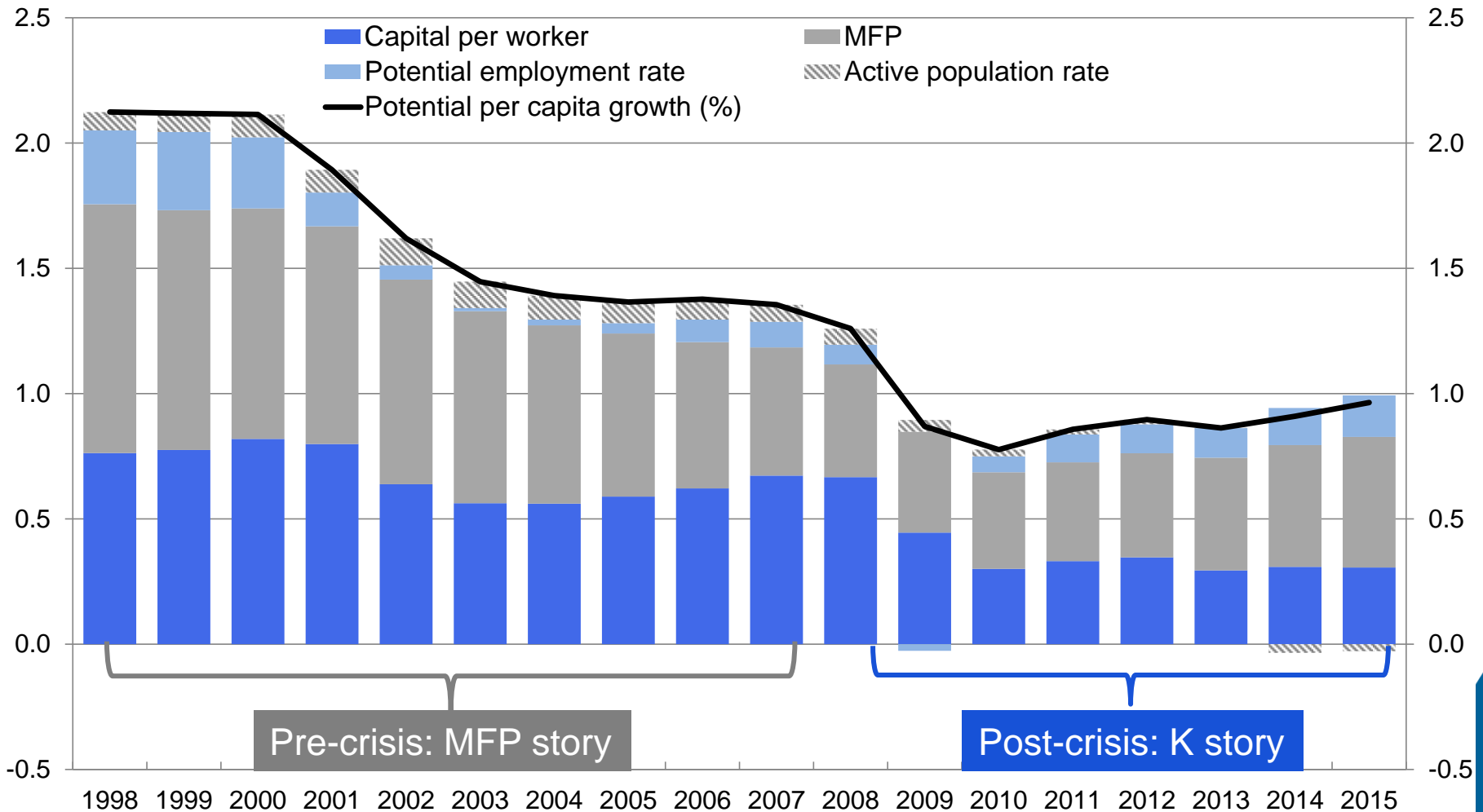


I. Productivity: now more than ever



Weak labour productivity underpins the collapse in OECD potential growth

Contribution to potential per capita output growth (% pts unless otherwise noted)





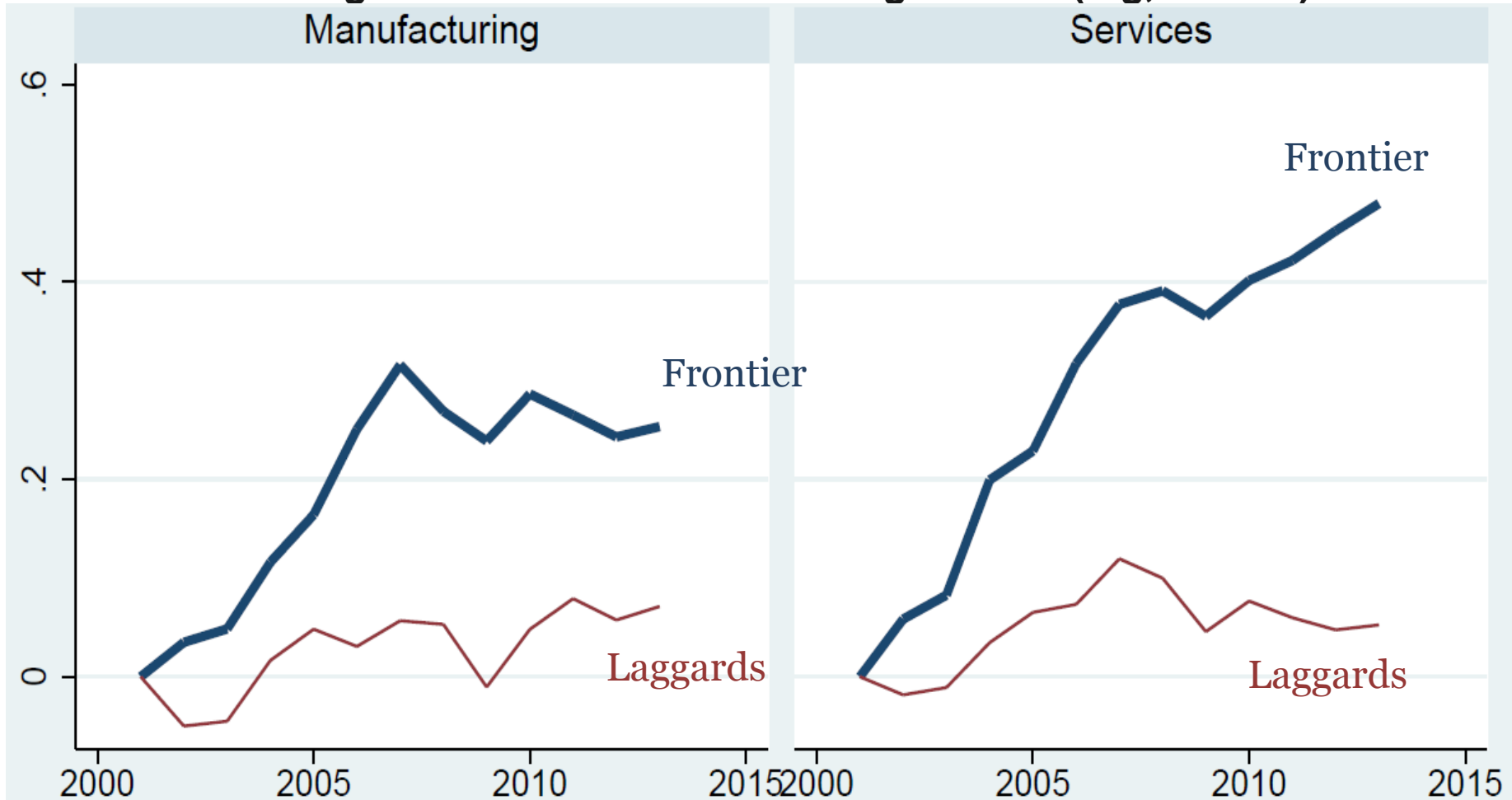
II. Productivity: what's wrong?





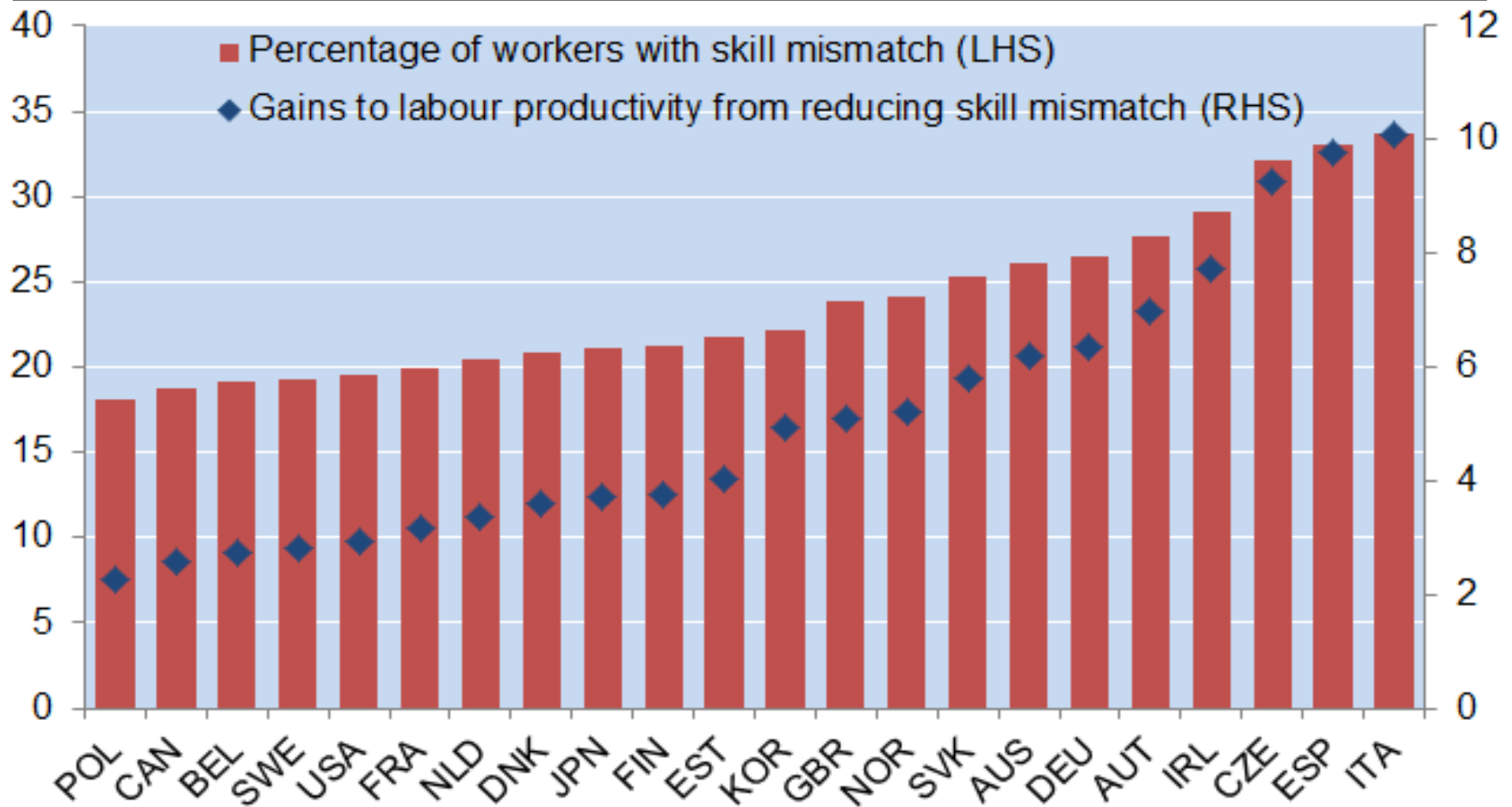
The breakdown of the diffusion machine

Average of MFPR across each 2-digit sector (log, 2001=0)





Misallocated resources, especially skills, constrains productivity



Skill mismatch, particularly over-skilling, is harmful for productivity because it constrains the ability of innovative firms to attract skilled workers and grow

Source: Adalet McGowan, M and D. Andrews (2015), "Labour market mismatch and labour productivity: evidence from PIAAC data" *OECD Economics Department Working Paper*, No. 1209.



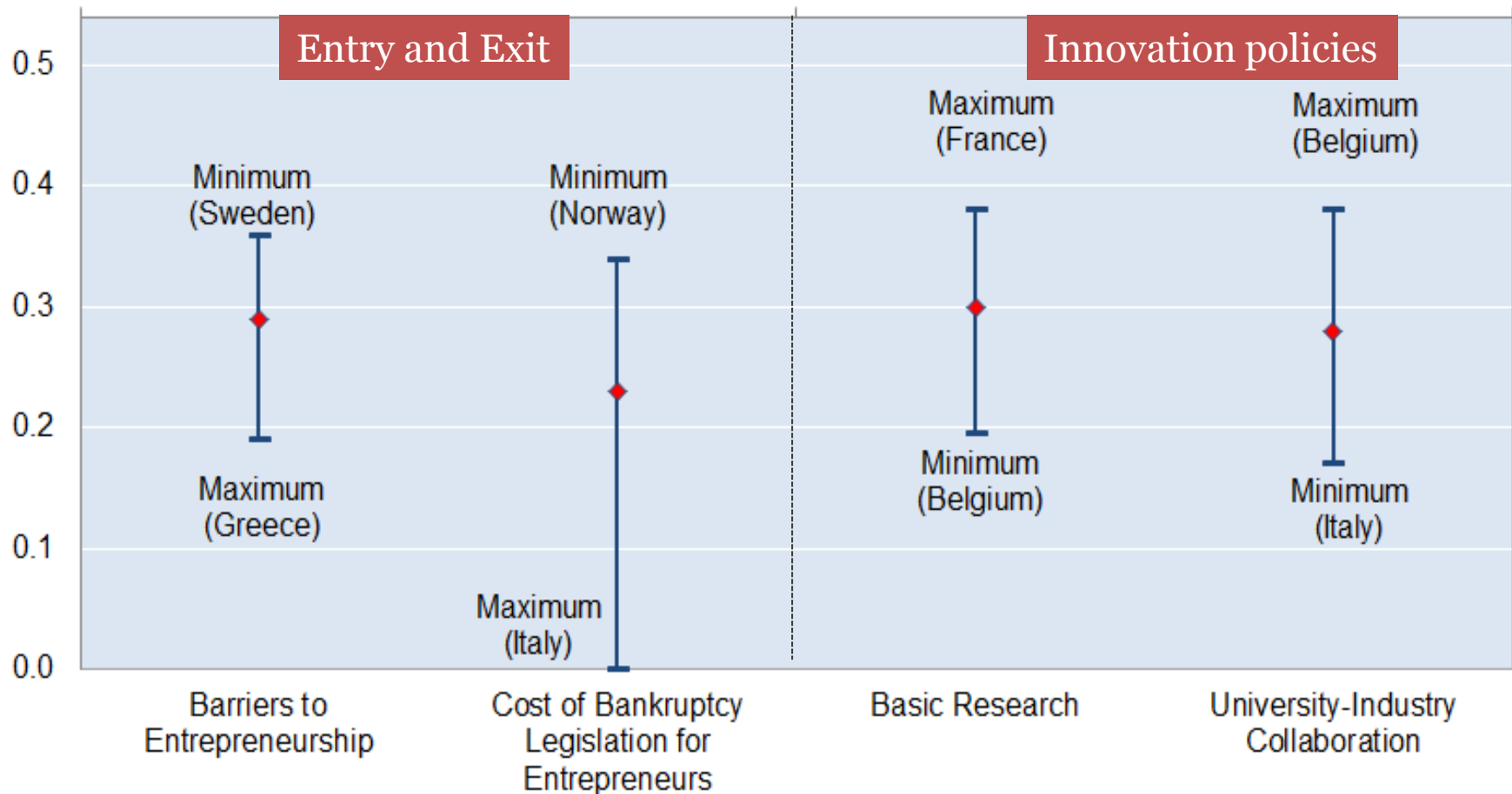
III. Productivity: role of policy





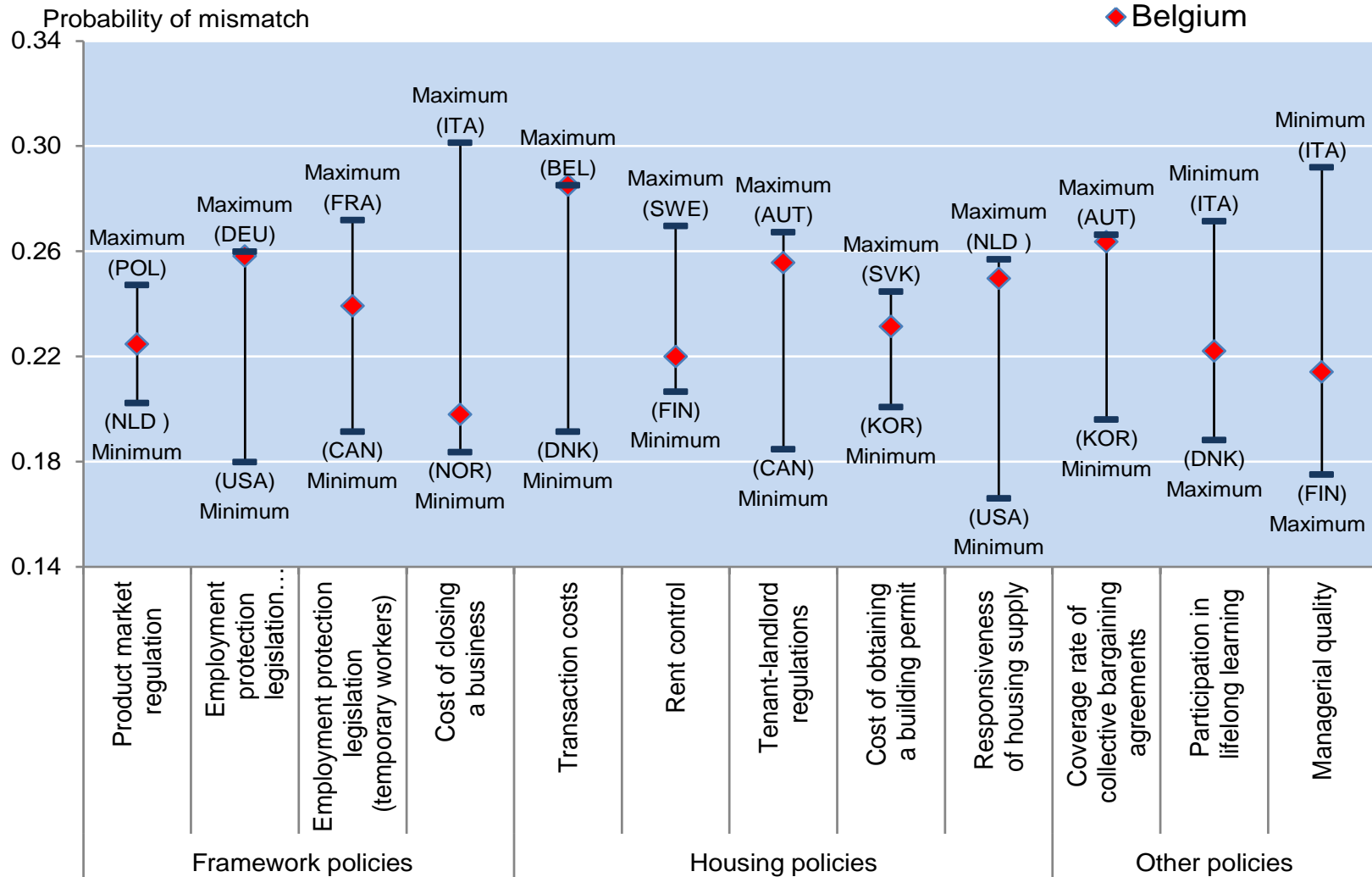
Policies shape the diffusion of new innovations from the global frontier

Estimated frontier spillover (% pa) associated with a 2% point increase in MFP growth at the global productivity frontier





Skill misallocation is policy-induced



Source: Adalet McGowan, M and D. Andrews (2015), "Skill mismatch and public policy in OECD countries" *OECD Economics Department Working Paper*, No. 1210.



IV. Productivity: what's next?



Some key areas for future work

- GFP projects:
 - Monetary policy, credit allocation and productivity
 - GVCs and productivity
- Zombie firms, exit policies and productivity
- Productivity dispersion and wage inequality
- Productivity in the non-market sector