

## 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. GDP data at current prices are from the *OECD Annual National Accounts*. For international comparisons and to obtain a volume or “real” measure of GDP, data are

converted to a common currency using the OECD Purchasing Power Parities (PPPs) for the year 2011. Hours worked data are derived from two sources, the *OECD Annual National Accounts* and the *OECD Employment Outlook*.

The indicator hereafter shows labour productivity and income levels in each country with respect to the labour productivity and income levels of the United States. Differences in GDP per capita levels with respect to 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.

### Overview

In 2011, Norway and Luxembourg had the highest levels of labour productivity, followed by Ireland. Norway's level of productivity (GDP per hour worked) was roughly five times that of Mexico's. Countries with low labour productivity levels in 2011, such as Mexico and Chile, often record the highest average working time (well above 2 000 hours annually) among the countries presented.

In the same year, differences in per capita GDP with respect to the United States varied a lot across countries. Much of the differences observed in GDP per capita reflect differences in labour productivity, with gaps relative to the United States ranging between 65 percentage points or more in Chile and Mexico, to 15 percentage points or less in Austria, Ireland, the Netherlands and several European countries. In 2011, like in 2010, Norway and Luxembourg maintained substantial positive gaps in GDP per capita and in GDP per hour worked relative to the United States.

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. Labour utilisation cross-country differences relative to the United States were significantly smaller than in the case of GDP per capita and per hour worked. In Belgium, France and Ireland, lower labour utilisation accounted for 92%, 88% and 159%, respectively, of the gap in GDP per capita relative to the US (i.e. for Belgium 18 points out of the 19 points gap in GDP per capita; for France, 23 points out of 27; for Ireland 21 points out of 13). In 2011, the contribution of lower labour utilisation in Turkey was about 34%.

Among the countries presented, 17 (the majority being non-EU countries) had higher labour utilisation levels than that of the United States, therefore contributing to narrow their gap in GDP per capita. This was notably the case of Australia, Canada, Iceland, Japan, Korea, Mexico, New Zealand, the Russian Federation and Switzerland.

### 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*, except Australia that has already implemented the 2008 SNA. 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. Cross-country comparability of hours worked remains limited, generating a margin of uncertainty in estimates of productivity levels.

### Sources

- OECD (2012), *OECD National Accounts Statistics* (database).
- OECD (2012), *OECD Productivity Statistics* (database).

### Further information

#### Analytical publications

- OECD (2011), *OECD Reviews of Labour Market and Social Policies*, OECD Publishing.

#### Methodological publications

- 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.

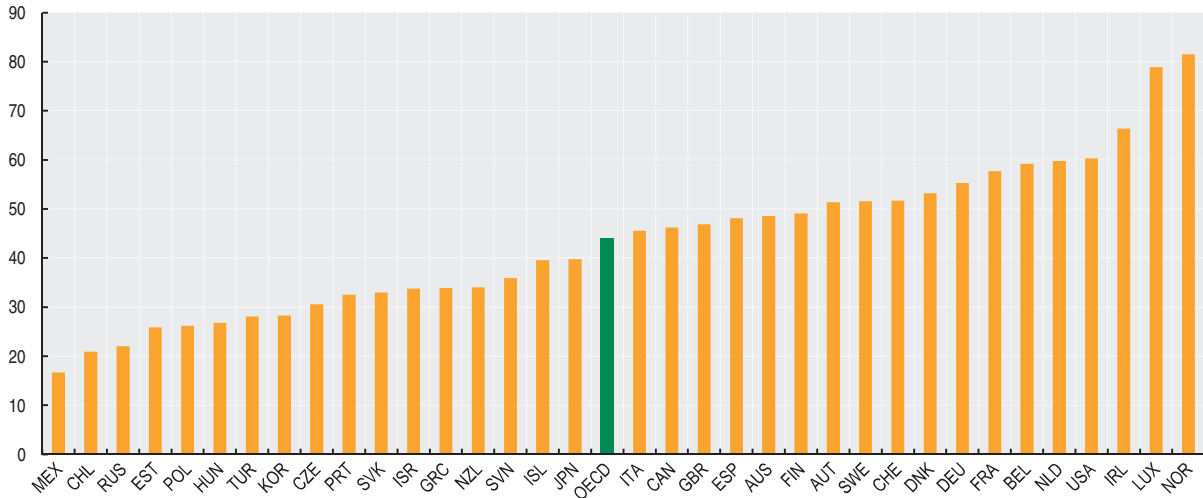
### Websites

- OECD Compendium of Productivity Indicators, [www.oecd.org/statistics/productivity/compendium](http://www.oecd.org/statistics/productivity/compendium).
- OECD Productivity, [www.oecd.org/statistics/productivity](http://www.oecd.org/statistics/productivity).



**GDP per hour worked**

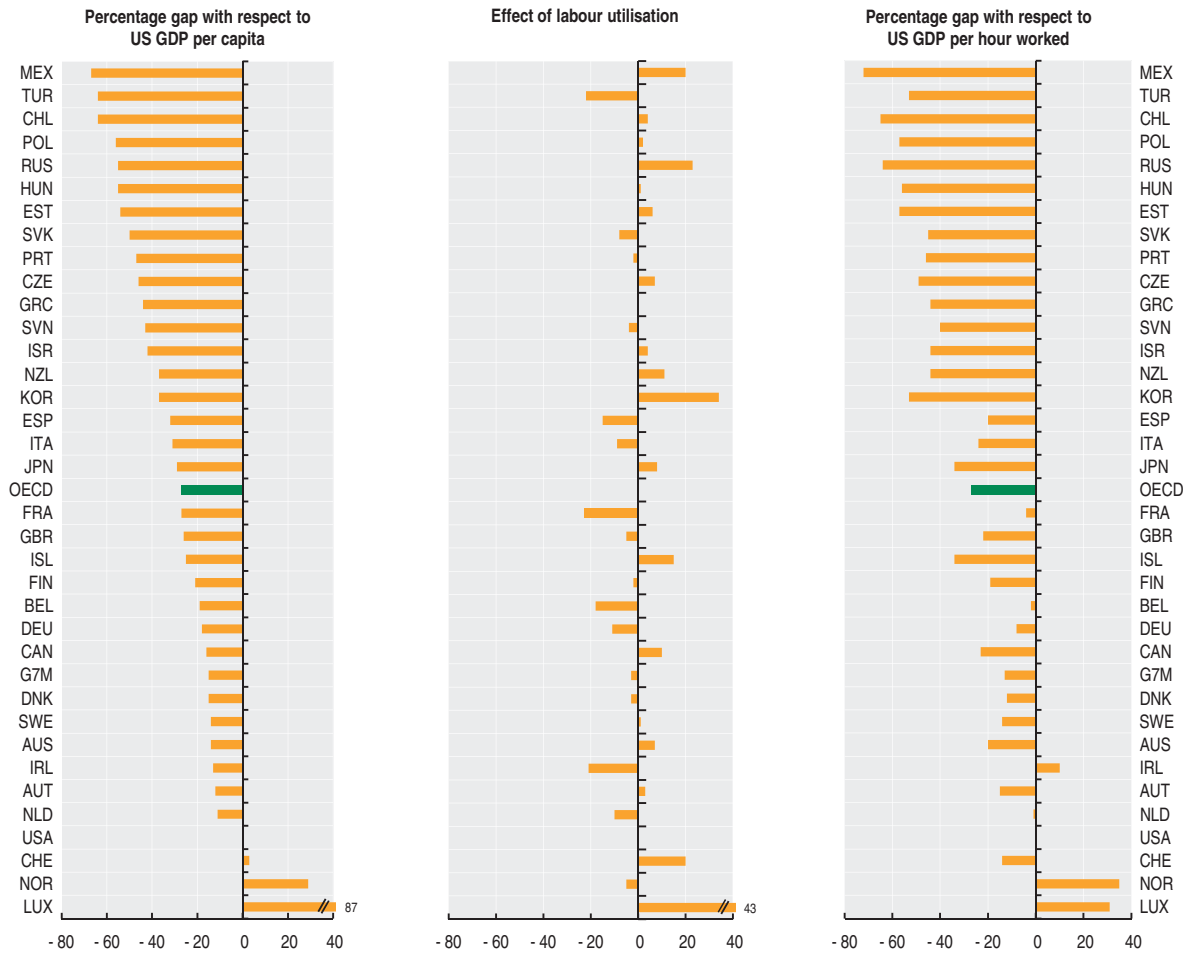
US dollars, current prices and PPPs, 2011



StatLink <http://dx.doi.org/10.1787/888932706546>

**Levels of GDP per capita and labour productivity**

Percentage point differences with respect to the United States, 2011



StatLink <http://dx.doi.org/10.1787/888932706546>



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