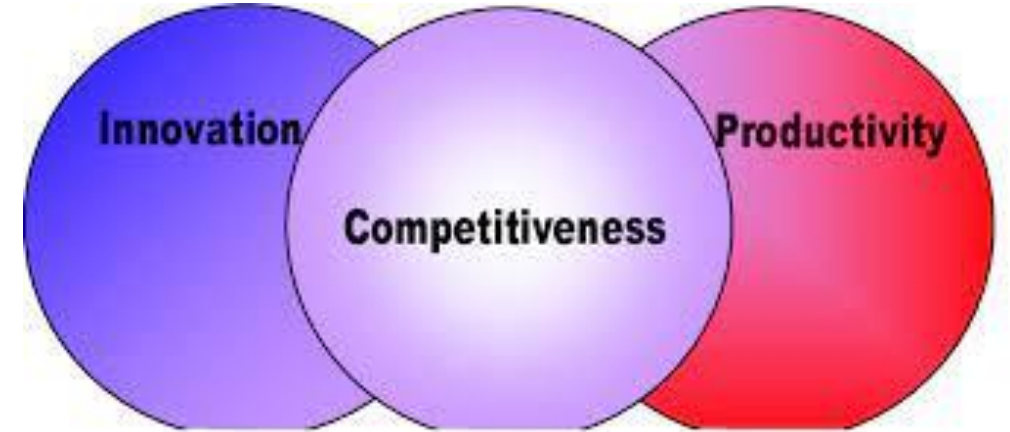


WHY PRODUCTIVITY MATTERS

ECONOMIC, BUSINESS AND SOCIETAL PERSPECTIVES

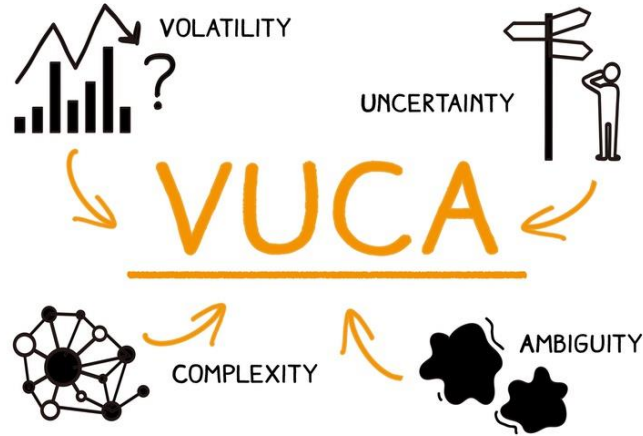
WHY PRODUCTIVITY MATTERS

- “Productivity is not everything, but in the long run it is almost everything” (Paul Krugman)
- The only sustained source of economic growth through technological change and innovation
- Frees up the resources to invest in technology and innovation
- Productive firms grow faster and tend to create new employment opportunities
- Productive jobs charge higher wages and make people more innovative
- Productive people *CAN BE* healthier and experience a better quality of life



ECONOMIC – BUSINESS – SOCIETAL PRODUCTIVITY

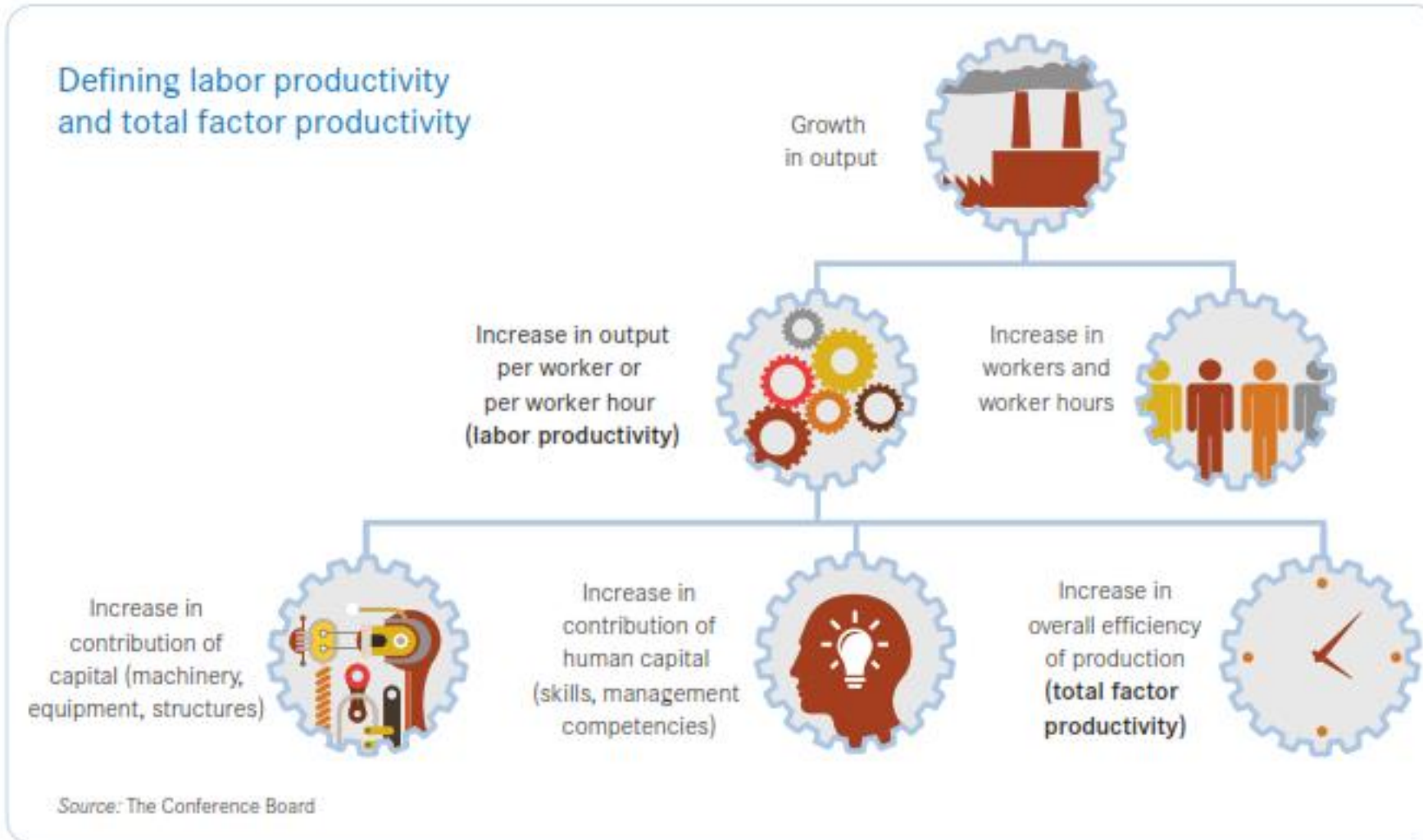
What is productivity? The popular view



- Budget cuts and efficiency drives
- Squeezing more out of what we have
 - The end of my job
 - The end of the environment
 - Stress and burnouts

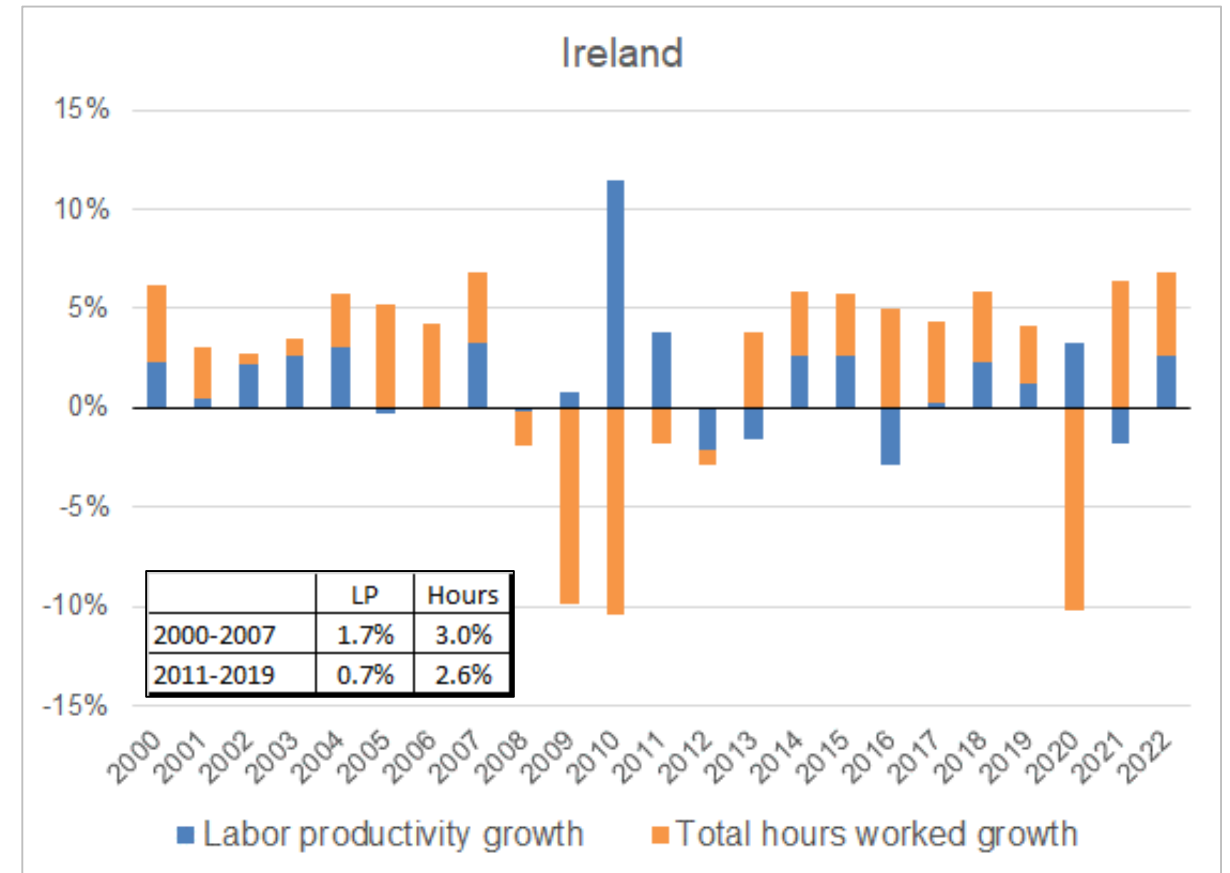
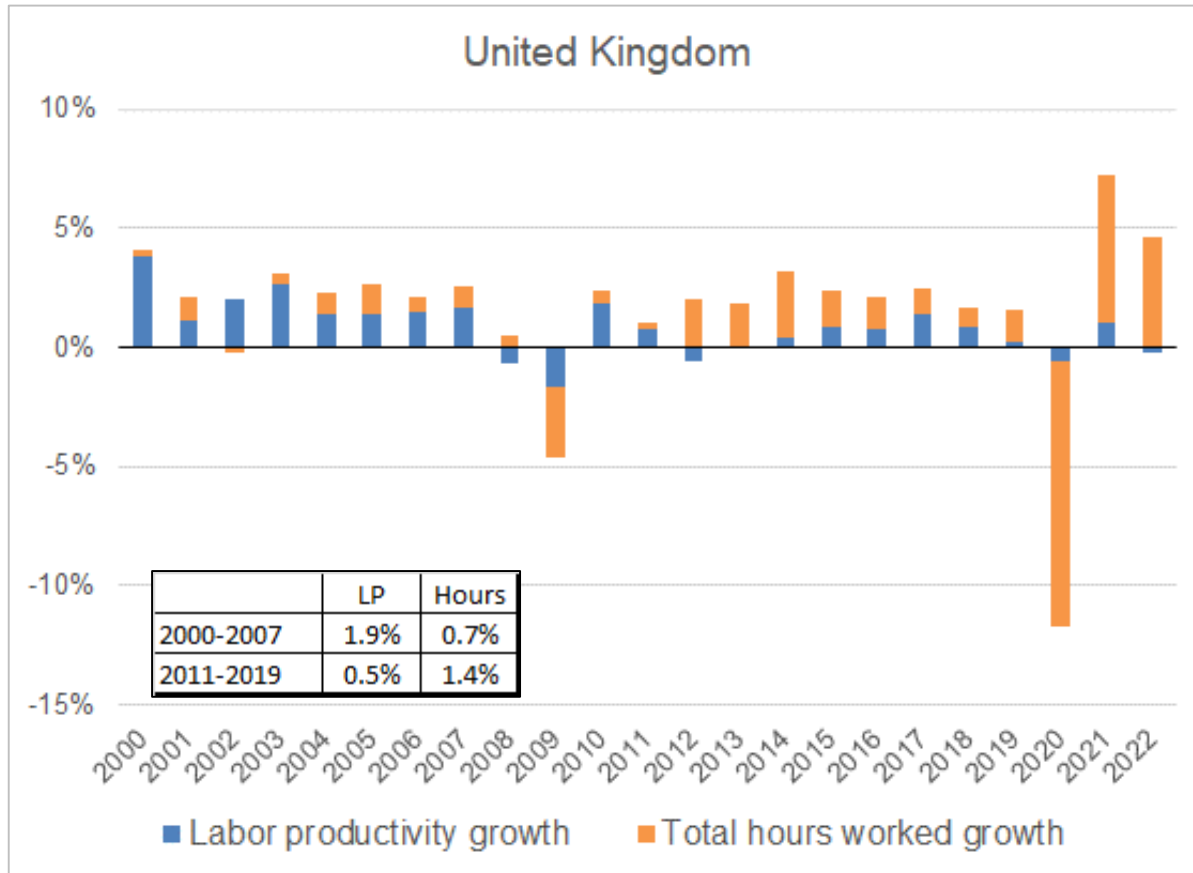


ECONOMIC PRODUCTIVITY



Economic productivity growth has slowed in both the ROI and the UK

Contributions of labour productivity and total hours worked to growth of total economy GDP (%)

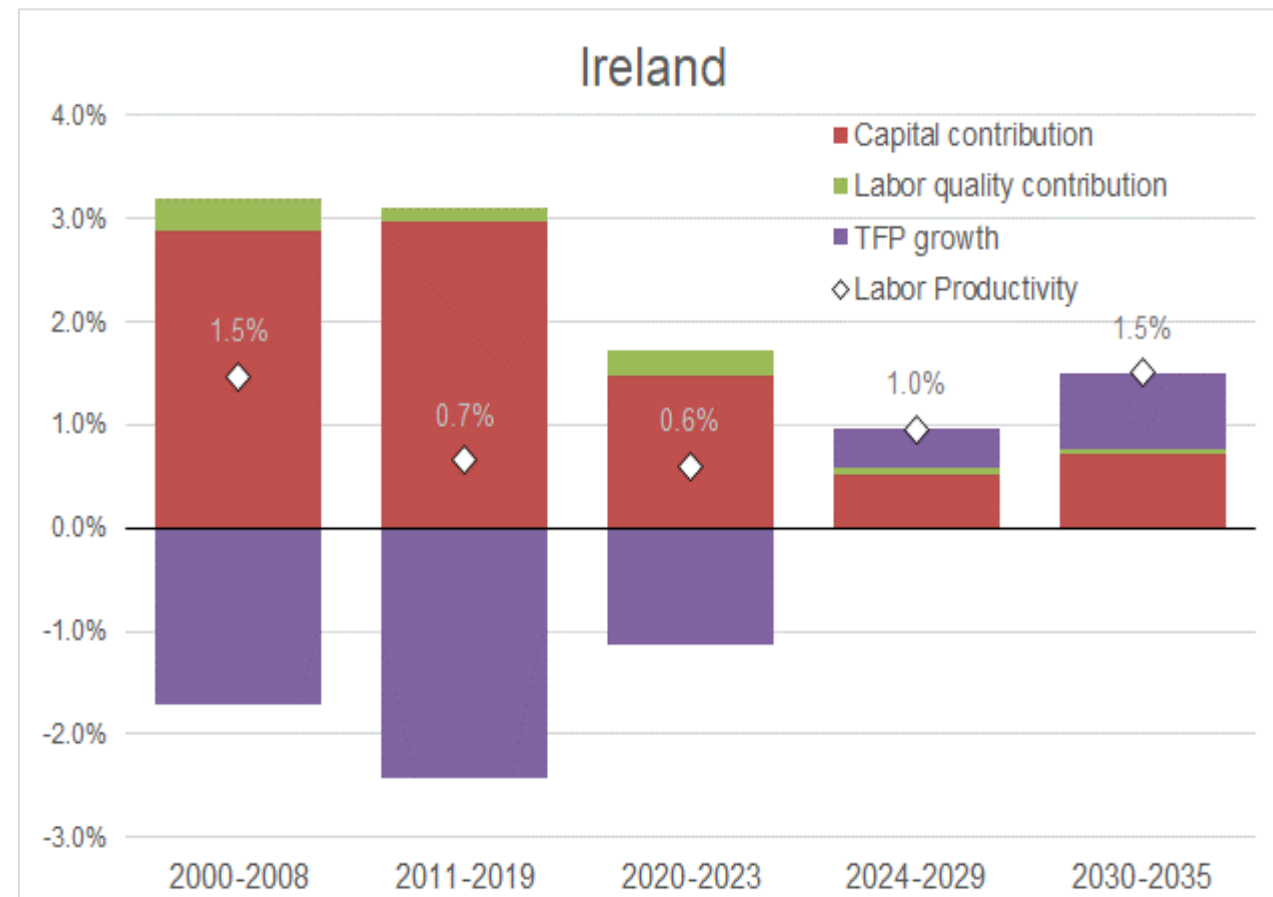
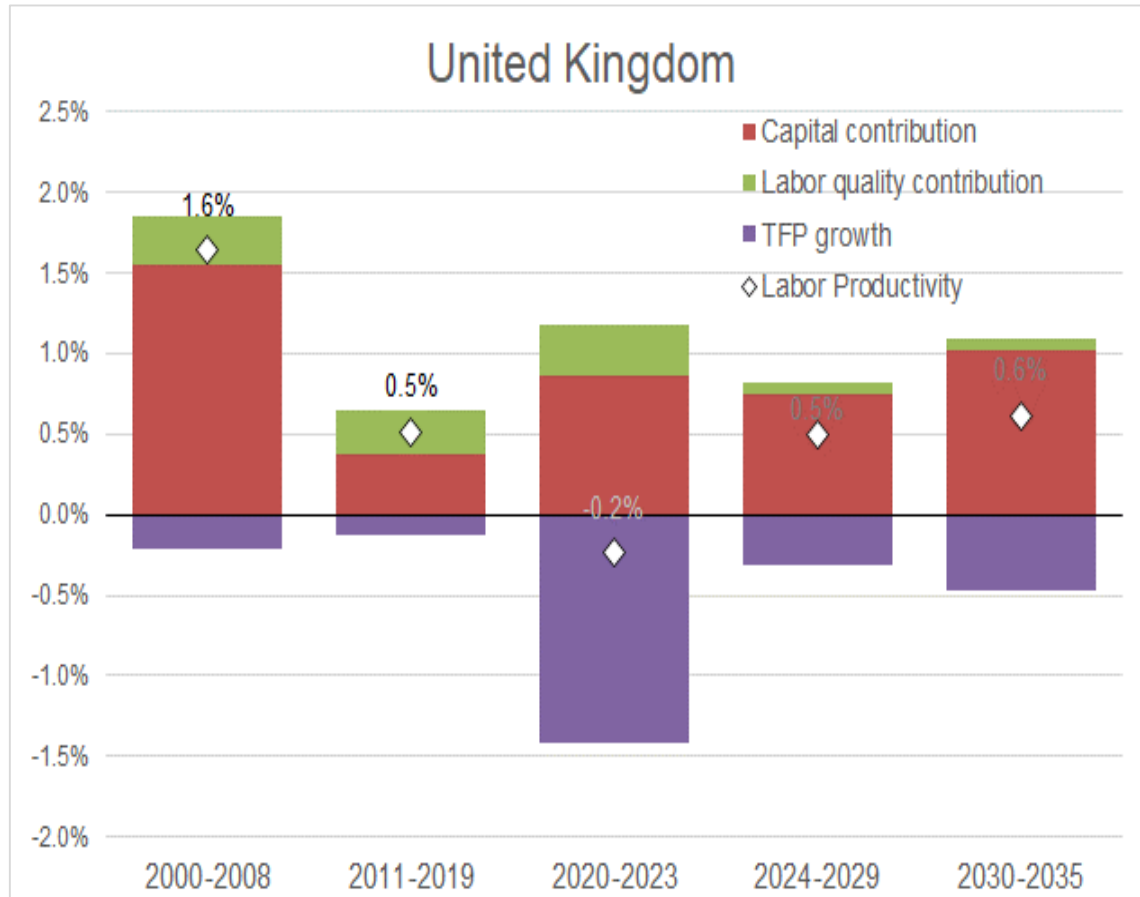


Note: Figures are for total economy

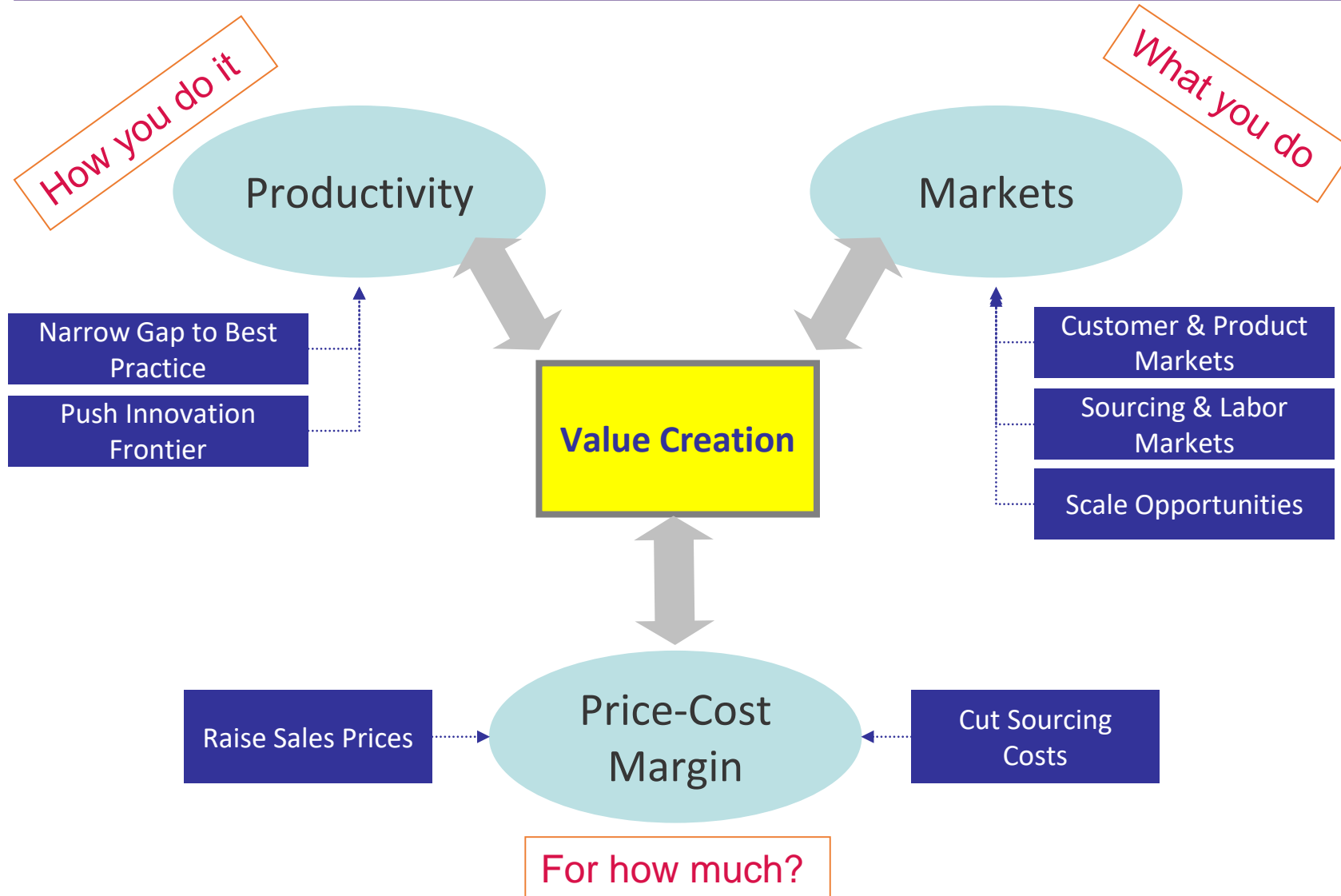
Source: The Conference Board, Total Economy Database

Productivity outlook for ROI more positive than for UK

Decomposition of labour productivity growth into contributions of capital, labour quality and TFP (total economy %)



Business productivity



Business productivity is about how an organisation effectively uses its *resources* (people, machines, knowledge and technology) to improve its *performance* (sales, value creation, profitability)

Business productivity is **not just efficiency** (max revenue at min cost)

But business productivity is also not the same thing as **value creation** (profit, growth, etc.)

Five areas of priority to raise business productivity



Management Skills



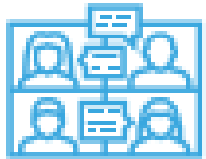
Joining up strategic productivity in the boardroom

ORGANISATIONAL FUNCTIONS



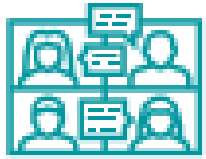
(CFO/CHRO/
CMO/CIO/
COO/CTO)

OPERATIONAL
PRODUCTIVITY
FOCUS



(CFO/CHRO/
CMO/CIO/
COO/CTO)

EMPLOYEE FOCUS

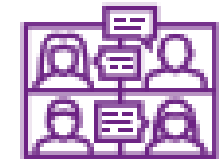


(CFO/CHRO/
CMO/CIO/
COO/CTO)

CUSTOMER FOCUS

CROSS FUNCTIONAL
COLLABORATION TO DRIVE
PRODUCTIVITY ACROSS THE
ORGANISATION

LEADERSHIP TEAM



CEO & TEAM

THINK

TALK

COLLABORATE

STRATEGISE

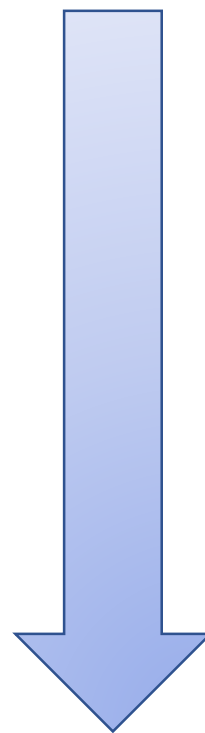
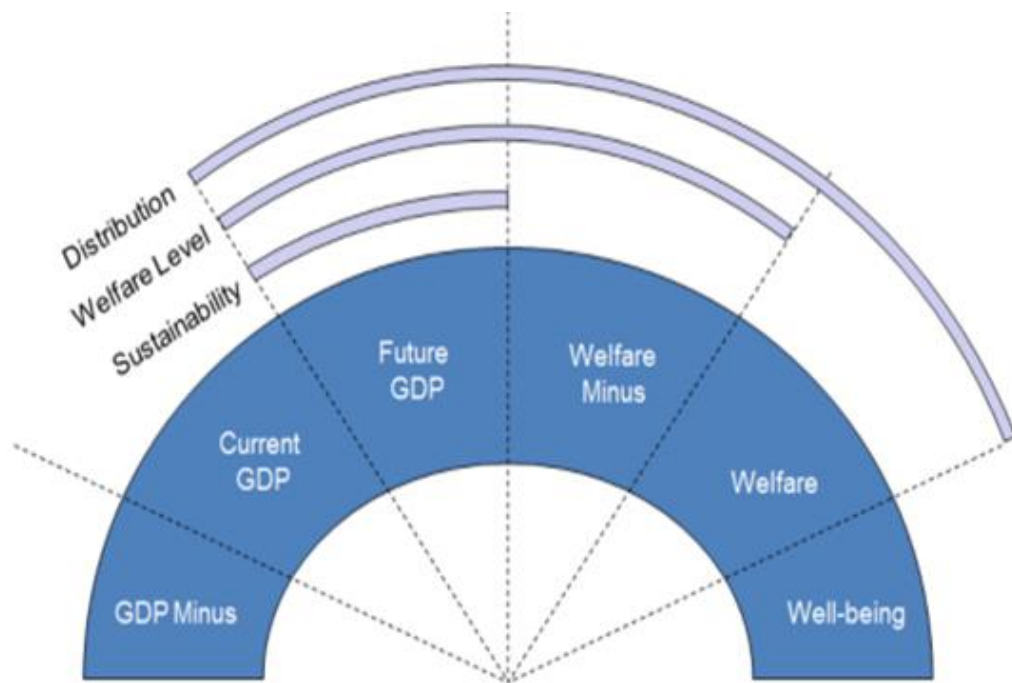
PRIORITISE

IMPLEMENT

STRATEGIC PRODUCTIVITY

Expanding Economic and Business Productivity to Societal Productivity

Output / Input = Economic Productivity

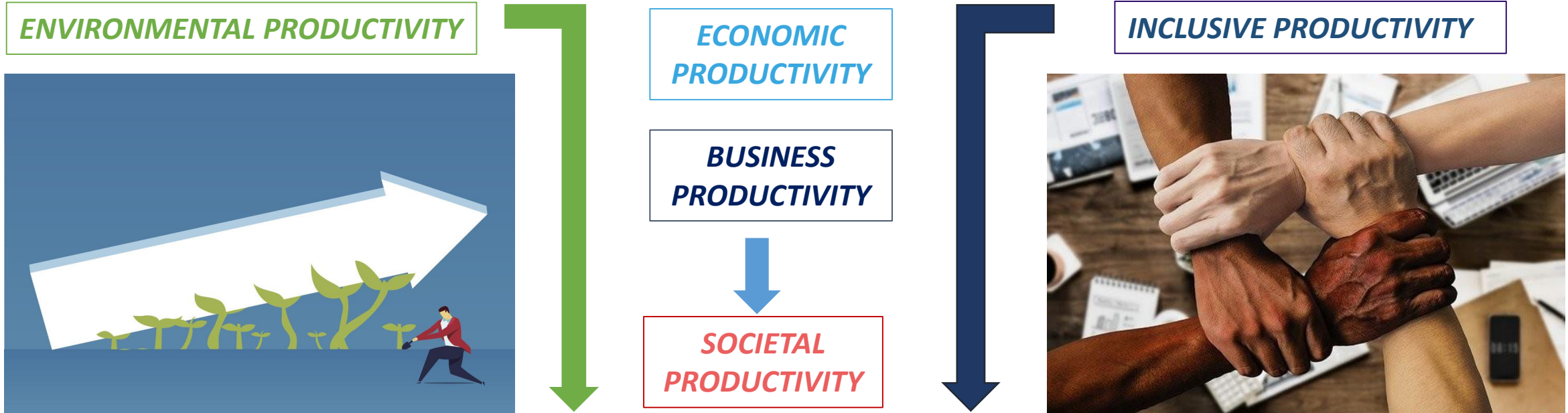


Source: Heys, Martin and Mkandawire, [GDP and Welfare: A spectrum of opportunity](#), ESCoE Discussion Paper 2019-16

Source: [International Integrated Reporting Council](#)

Outcomes/Resources = Societal Productivity

Inclusive and Sustainable productivity as key components of Societal Productivity

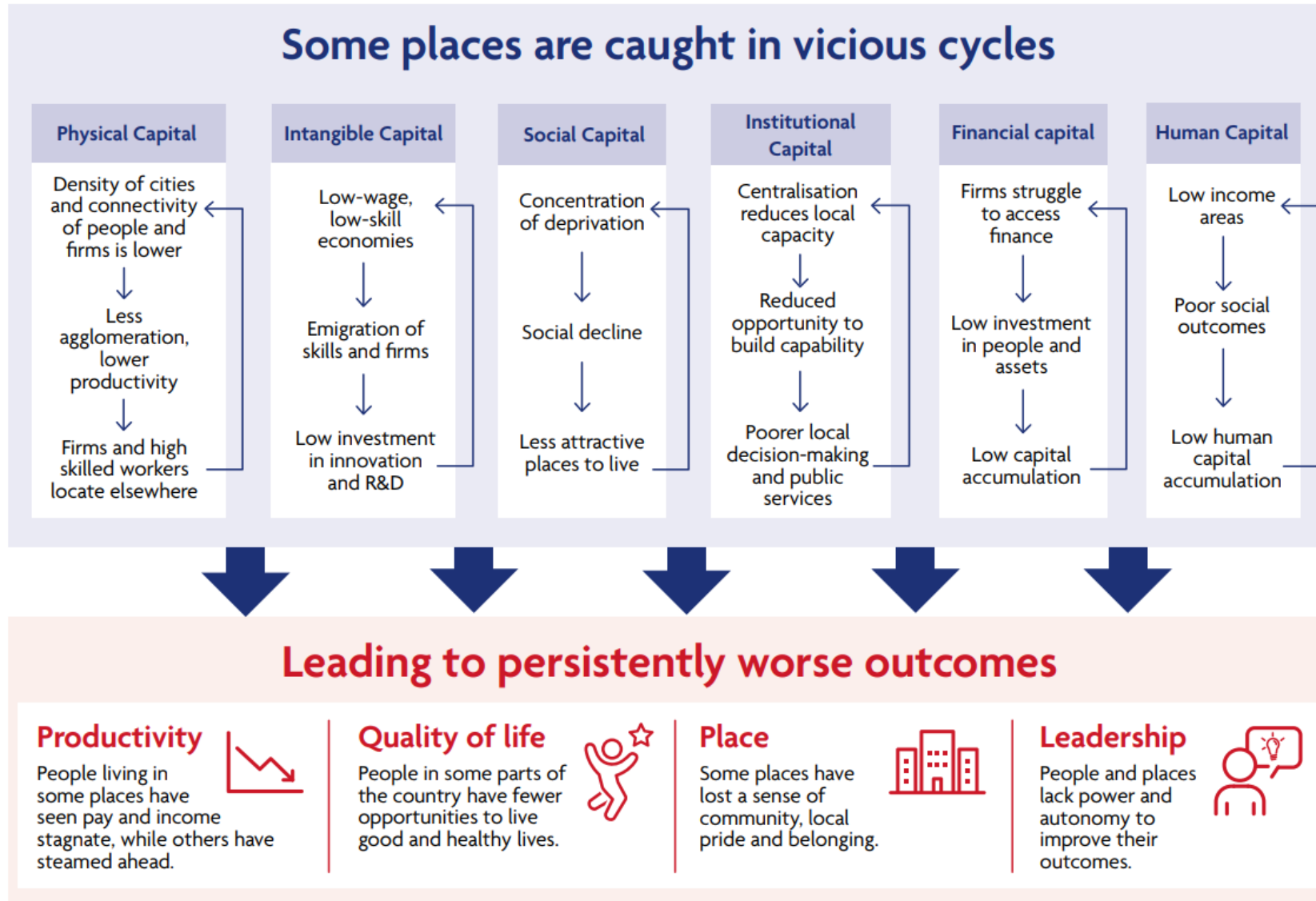


Environmentally-adjusted productivity is an entity's ability to generate income from a given set of inputs, while accounting for unmeasured good and bad environmental outputs and the consumption of non-renewable and renewable natural resources

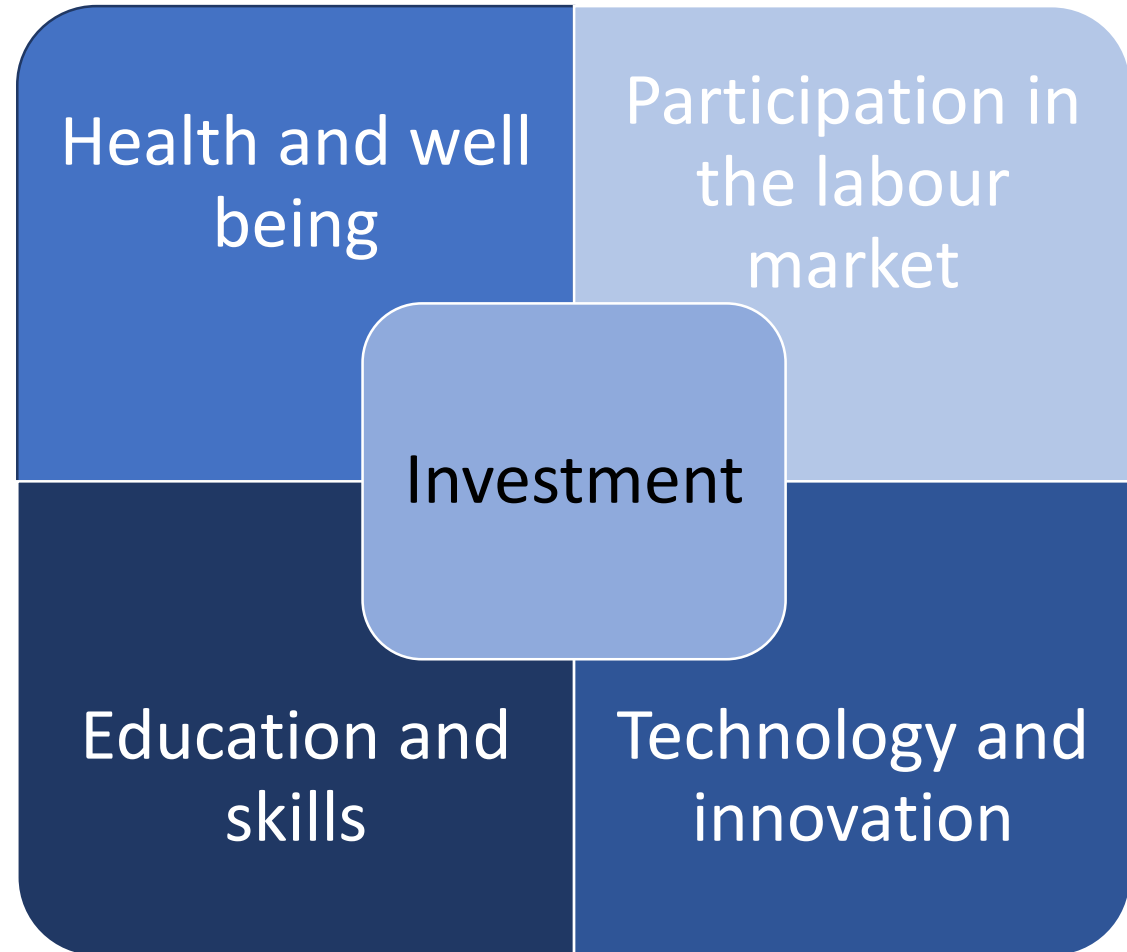
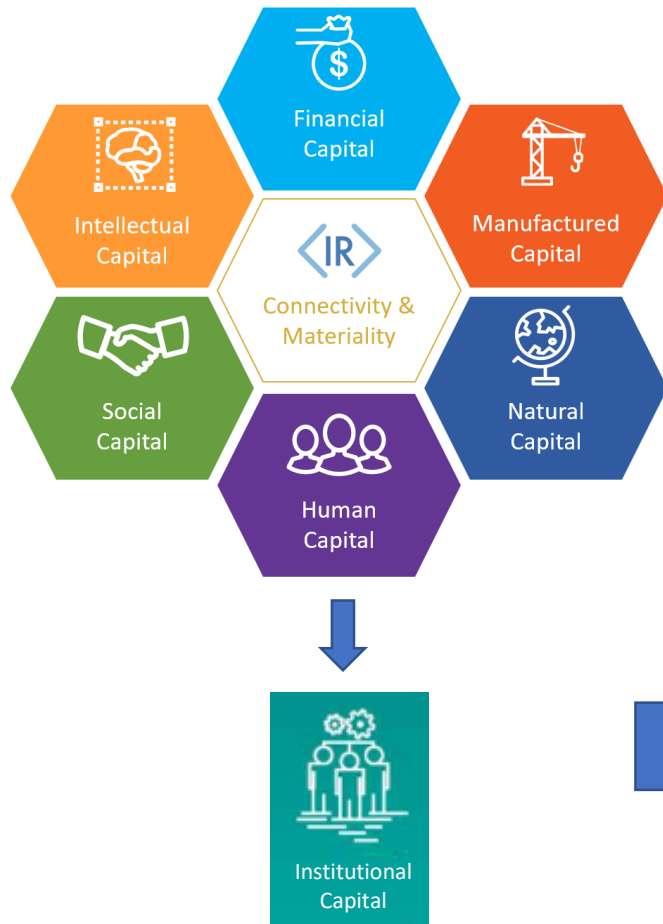


Inclusive productivity is an entity's ability to raise productivity growth while realizing improvements in well-being which are experienced widely across segments of the population (age, ethnicity, regional, gender, skill level)

Putting the capitals into a place-based context: Turning a the vicious cycle into a virtuous cycle



How the capitals can inform a place-based investment strategy for societal productivity





<https://www.productivity.ac.uk/>

THE PRODUCTIVITY INSTITUTE AT A GLANCE

ESTABLISHED
1ST SEPT
2020

130 INDIVIDUALS
INVOLVED
IN OUR REGIONAL
PRODUCTIVITY FORUMS

10 INSTITUTIONAL
PARTNERS

5 YEAR
GRANT

8 REGIONAL
PRODUCTIVITY
FORUMS

8 RESEARCH
THEMES

£32M
INVESTMENT

40+
CO-INVESTIGATORS



Human capital



Organisational capital



Knowledge capital



Geography and place



Macroeconomic trends and policy



Institutions and governance



Measurement and methods

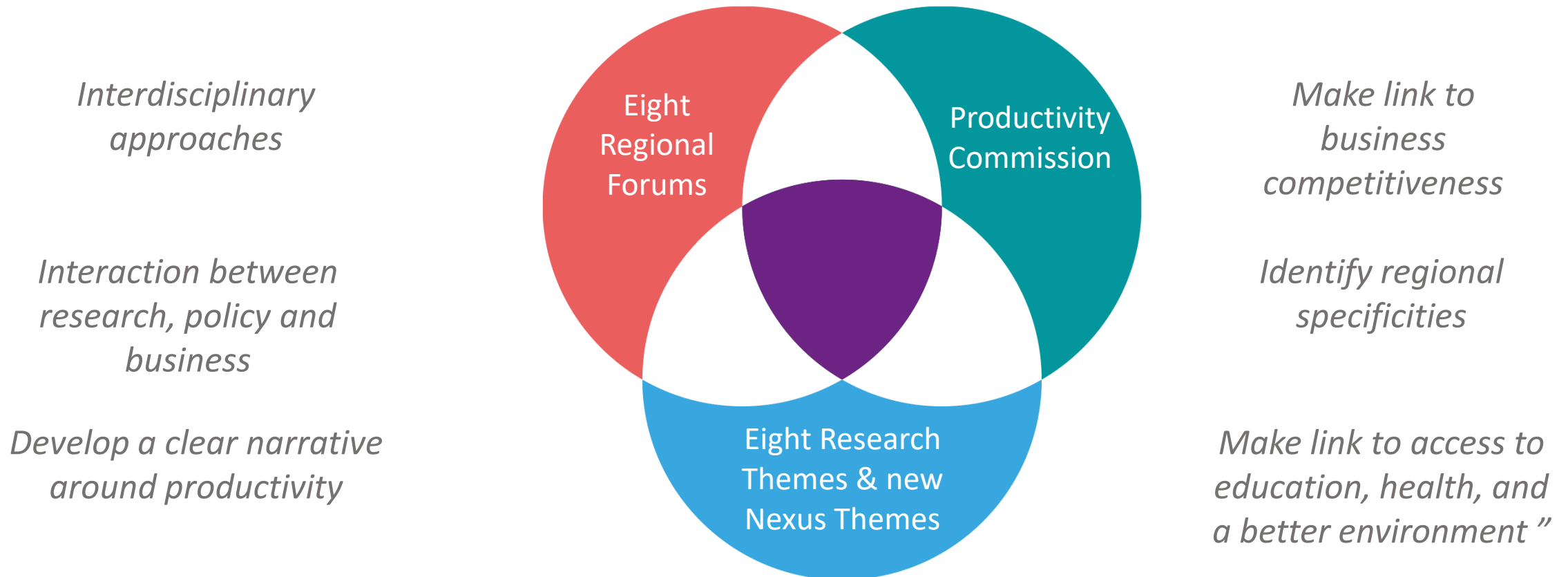


Social, environmental and
technological transitions



TPI'S MISSION AND HOW WE ARE GOING TO ACHIEVE THIS

*Lay the foundations for an era of **sustained and inclusive productivity growth** and help **policy makers and business leaders** across the UK understand how to **improve productivity and raise living standards***

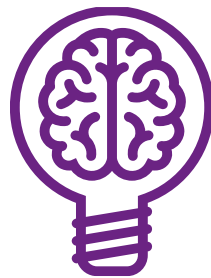


SOLVING THE PRODUCTIVITY PUZZLE REQUIRES GETTING MANY THINGS RIGHT

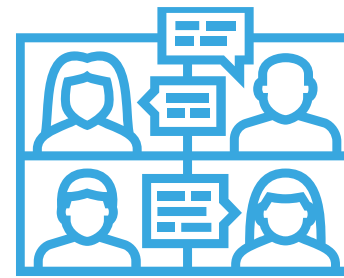
Invest in people, ideas and your organisation



Human
capital



Knowledge
capital



Organisational
capital

Leverage power of place



Geography and
place



Macroeconomic
trends and policy



Institutions and
governance



Measurement
and methods



Social, environmental and
technological transitions

Collaborate

Measure success

Focus on the big picture