Are Pro-Productivity Policies Fit for Purpose?

Bart van Ark

Economic and Social Research Institute

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WHY PRODUCTIVITY MATTERS? HOW ITS ROLE IS CHANGING?

- Productivity is the only sustained source of economic growth in the long-term
- Once again, we are in a world of rapid technological progress but slowing productivity growth
- Are we reliving Solow's productivity paradox: "We see computers everywhere except in the productivity statistics?" (1987)
- Will it be different this time: demographics, climate, deglobalisation, and the ugly sides of technology?
- Can a reset of a pro-productivity policies framework reverse the productivity slowdown, and make growth more inclusive and sustainable?
- How will Europe's new industrial strategy contribute to productivity?

AGENDA

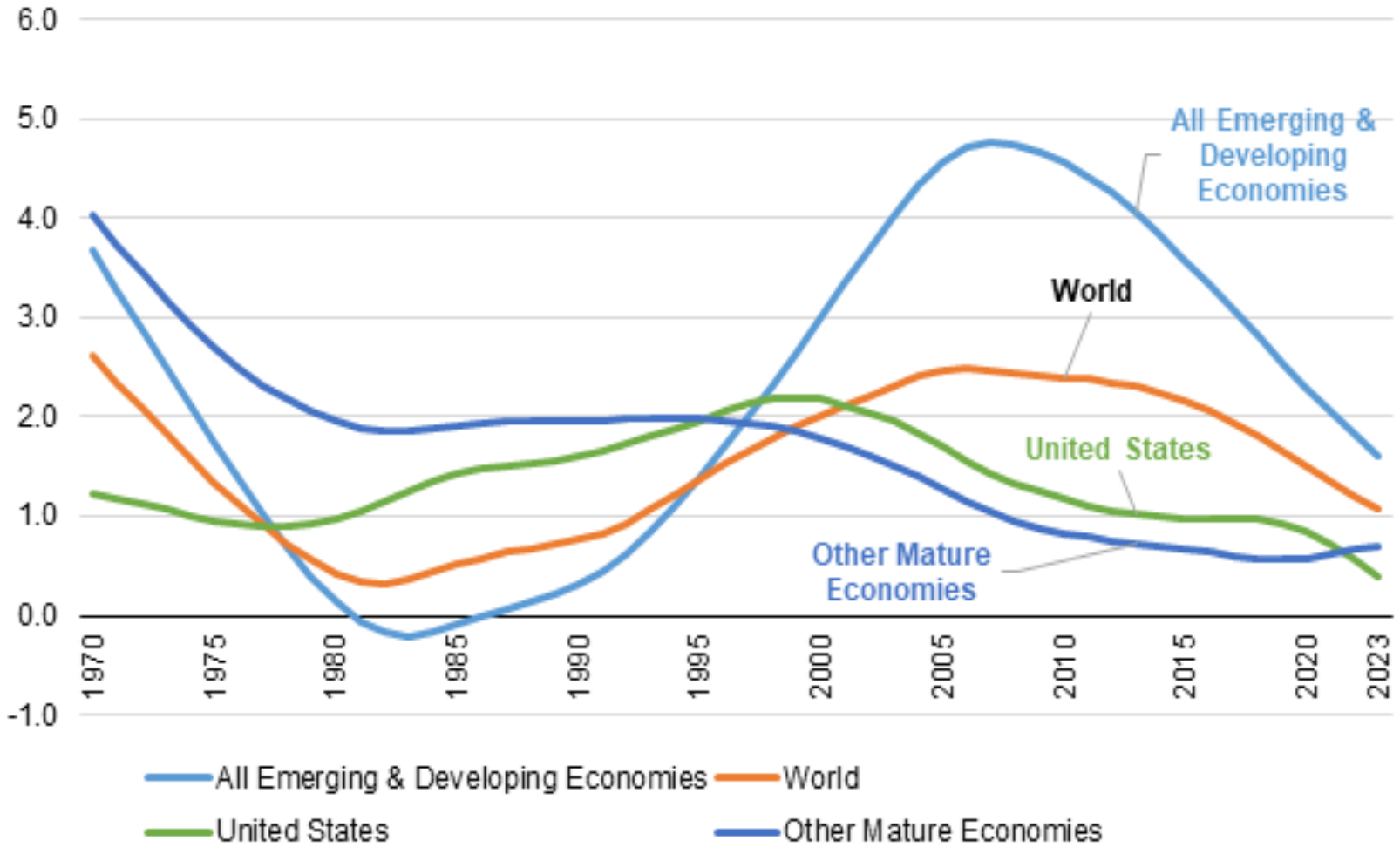
Why has productivity growth slowed?

Is the digital economy coming to the rescue again?

Pro-productivity policies, industrial strategy and inclusive growth

WHY HAS PRODUCTIVITY SLOWED?

THE GLOBAL ECONOMY IS FACING BIG PRODUCTIVITY CHALLENGES ALL AROUND



Source: The Conference Board, 2023
Note: Trend growth rates are obtained using HP filtering method

G20 AGGREGATE PRODUCTIVITY GROWTH TREND WITH ALMOST ALL INDIVIDUAL COUNTRIES SLOWING

Growth in labour productivity (GDP per hour worked) by major G-20 group, annual average growth rates

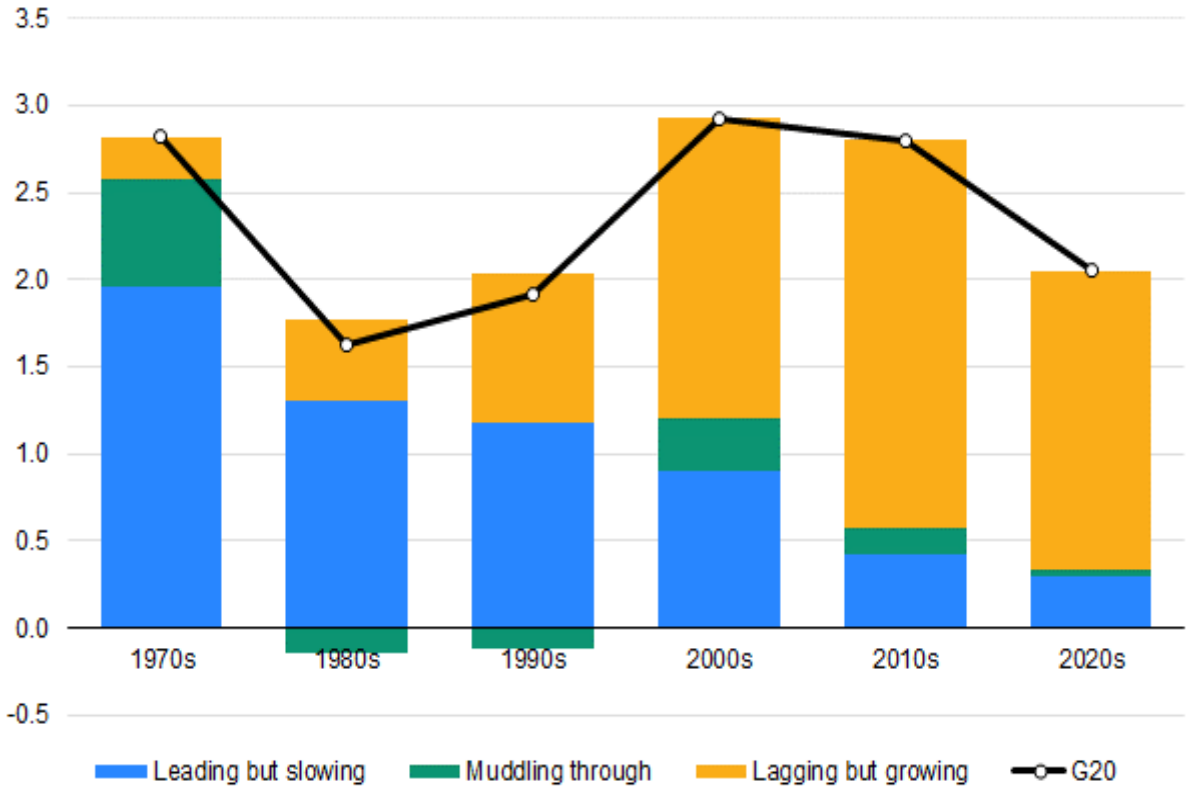
		1970s	1980s	1990s	2000s	2010s	2020s*
G20	***Total***	***2.8***	***1.6***	***1.9***	***2.9***	***2.8***	***2.1***
Leading but slowing	***Total***	***2.9***	***2.0***	***1.9***	***1.5***	***0.9***	***0.7***
	Japan	4.7	3.6	2.3	1.0	1.1	0.9
	United States	1.7	1.4	1.7	2.2	0.8	0.9
	United Kingdom	3.0	2.0	2.0	1.3	0.6	0.2
	France	4.1	2.9	1.8	1.0	0.9	-0.7
	Germany	3.9	2.3	2.2	0.9	1.2	0.5
	Australia	1.8	1.2	2.2	1.2	1.2	1.9
	Italy	3.9	1.7	1.4	0.0	0.4	0.4
	Canada	1.9	0.9	1.4	1.1	1.0	0.9
Lagging but growing	***Total***	***2.9***	***4.2***	***5.1***	***6.9***	***6.2***	***4.0***
	China	4.1	6.2	7.8	9.2	7.1	5.5
	India	0.4	3.2	3.9	5.7	6.6	1.6
	Turkey	4.1	3.3	1.7	3.5	3.4	3.0
	Indonesia	3.6	2.4	1.7	3.1	3.4	1.6
	South Korea	5.9	5.4	6.4	4.7	2.9	1.6
Muddling through	***Total***	***2.7***	***-0.6***	***-0.6***	***1.9***	***0.9***	***0.2***
	Russian Federation	2.5	0.9	-3.1	4.7	2.0	0.9
	Brazil	4.7	0.1	0.5	1.1	0.9	-0.1
	South Africa	2.4	-0.6	-0.7	2.7	0.5	1.4
	Argentina	2.0	-1.8	2.1	1.1	0.9	0.7
	Mexico	1.4	-1.5	0.6	0.3	0.7	-1.3
	Saudi Arabia	2.8	-8.3	0.9	-0.6	-1.5	0.2

- Eight developed G-20 members (G7: Japan, US, UK, France, Germany, Italy and Canada + Australia) in the **"leading levels but slowing growth"**-group.
- Five G-20 members (China, India, Turkey, Indonesia, and South Korea) are in the **"lagging levels but accelerating growth"**-group
- Remaining six G-20 members (Russia, Brazil, South Africa, Mexico and Saudi Arabia) are in the **"muddling through"**-group showing neither much growth in productivity nor any sizeable improvement in productivity levels relative to the leading group.

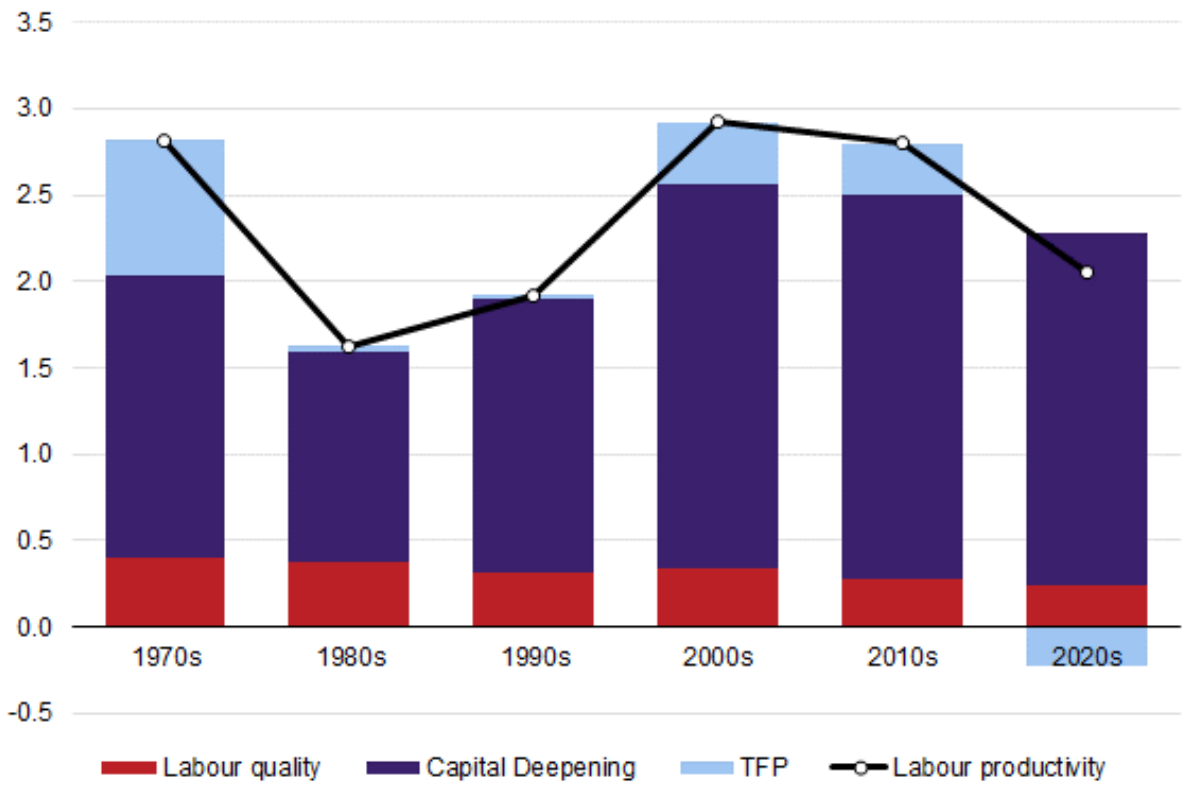
Note: Analysis is for 19 individual members of G-20, excluding European Union aggregate;
* 2020s includes projection for 2023.
Source: The Conference Board, Total Economy Database, April 2023

THE SLOWDOWN IS BROAD-BASED THOUGH WEAK TOTAL PRODUCTIVITY IS THE DRIVING FORCE BEHIND IT

Contributions from major groups to total G20 productivity growth, 1970s-2020s



Decomposition of growth of labour productivity (GDP per hour worked) into contributions of labour quality, capital deepening and total factor productivity, 1970s-2020s



Source: The Conference Board, Total Economy Database, April 2023

NOT ONE REASON FOR THE PRODUCTIVITY SLOWDOWN

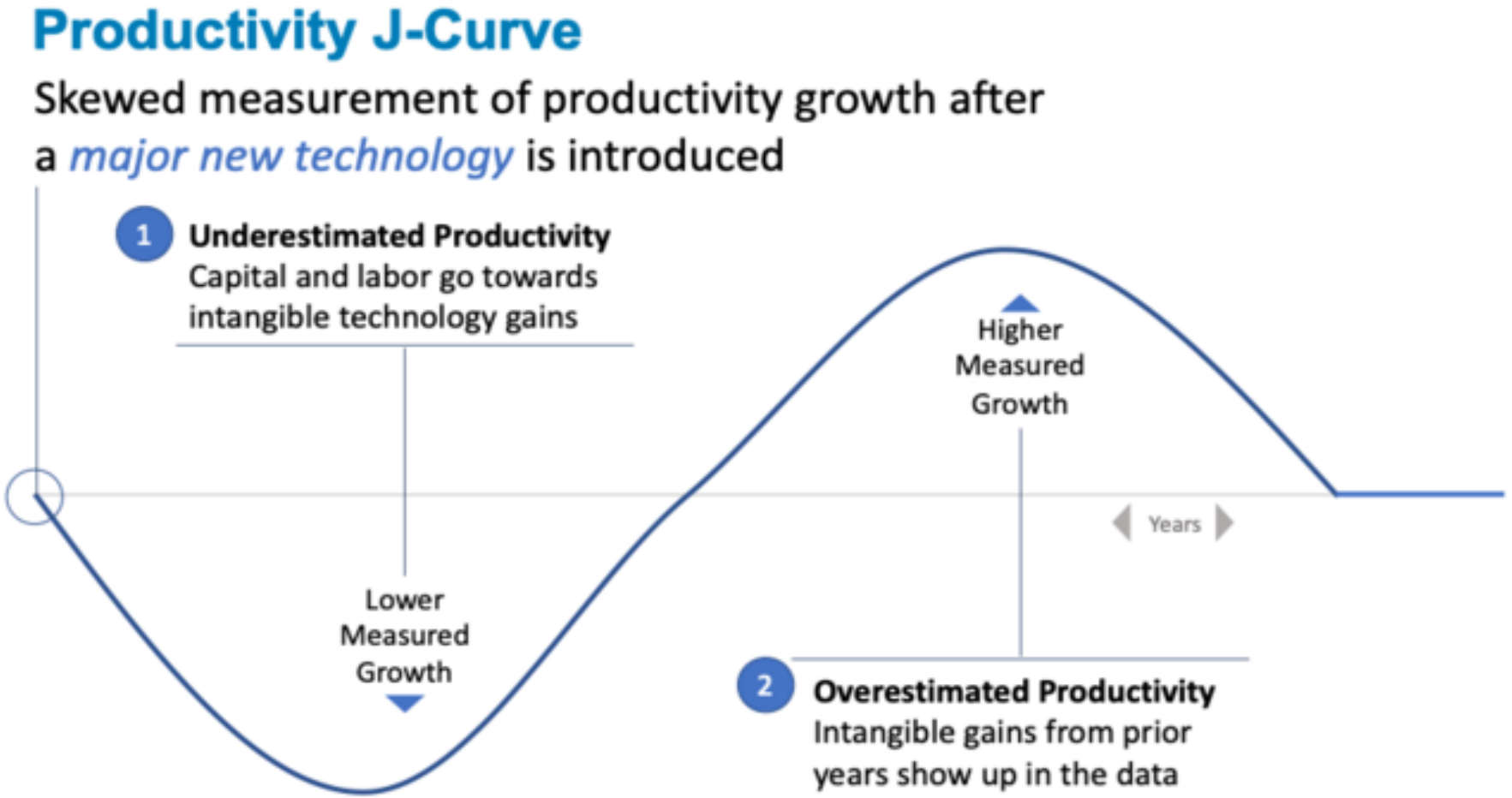
- **Demand-side issues**:
  - **Short-term**: weak productive investment (e.g. aftermath of global financial crisis or interest rate increases), weak consumption (e.g. aftermath of pandemic, inflation and cost of living crisis)
  - **Long-term:** more low-productivity personal and public services (incl. Baumol effect)
- **Supply-side issues:**
  - **Short-term:** Supply-side "shocks", including pandemic, supply chain disruptions, stagflation, political uncertainty
  - **Long-term**: End of catch-up potential of emerging markets, demographics (ageing, mobility, labour shortages), climate change
- **Counter-productive policies**: excessive regulations, taxes, competition laws, protectionism
- **Weaker diffusion and slower adoption of technology (*the productivity paradox*)**
  - Time lag between adoption and productivity impact (Productivity J-curve)
  - "Winner takes all" effects and "superstar firms"
  - Weaker diffusion and slower adoption of (digital) technologies
- **Measurement issues** within and beyond the boundaries of the national accounts

ARE WE MEASURING OUTPUTS AND INPUTS CORRECTLY?

"For measurement to explain the productivity slowdown, you need to (1) identify a measurement problem, (2) that gets worse, (3) from a particular point in time." (Chad Syverson)

1. ***Deflators***:
   - Distinguish price increases from quantity and quality improvements
2. ***Timing of (intangible) output and inputs***
   - Measurement version of productivity paradox
3. ***Boundaries of output***
   - From narrow to broad GDP
   - Beyond GDP: welfare and well-being
4. ***Boundaries on inputs***
   - From tangibles to intangibles
   - Beyond measured capital

COULD THIS BE A MATTER OF TIME?



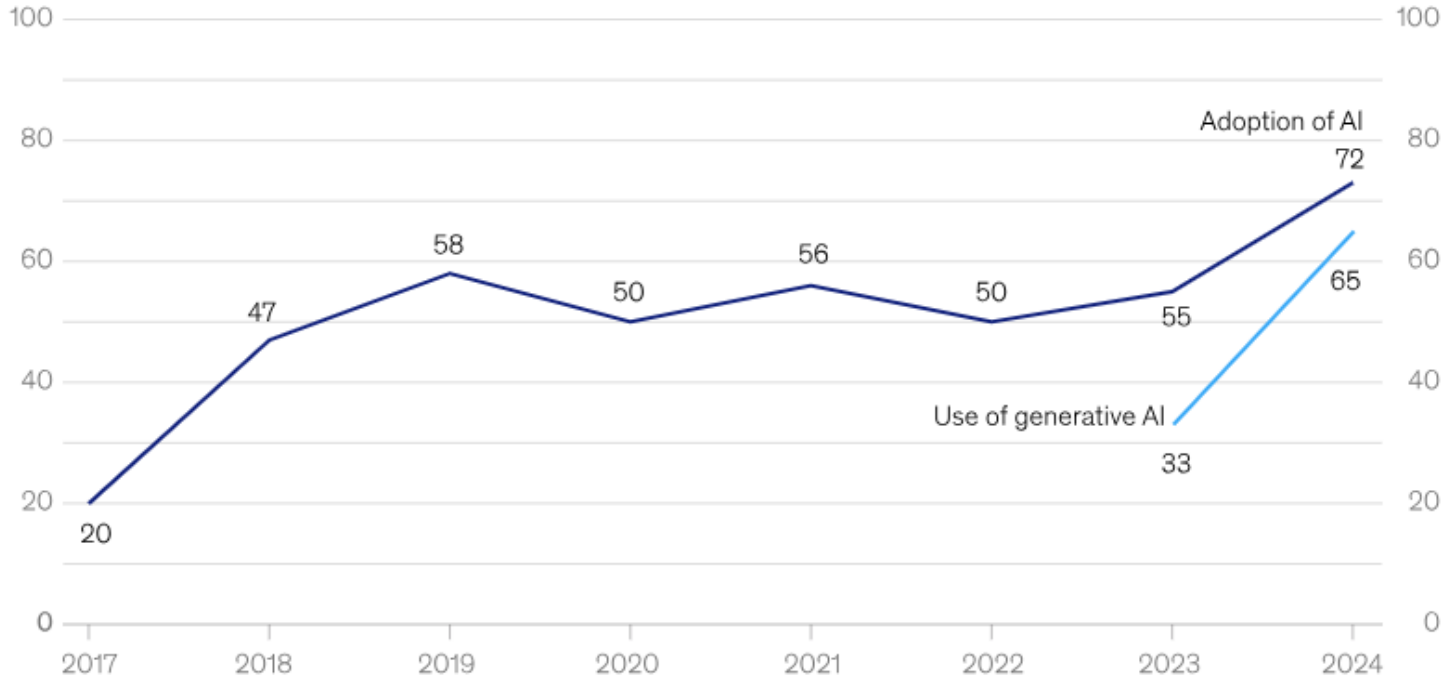
Source: Brynjolfsson, Rock and Syverson, 2019

Redrawn from the article "Why Artificial Intelligence isn't Boosting the Economy—Yet"

IS THE DIGITAL ECONOMY COMING FOR THE RESCUE AGAIN?

SOME EVIDENCE THAT THE AI ADOPTION HAS RAPIDLY INCREASED

Organizations that have adopted AI in at least 1 business function,[1] % of respondents



[1]In 2017, the definition for AI adoption was using AI in a core part of the organization's business or at scale. In 2018 and 2019, the definition was embedding at least 1 AI capability in business processes or products. Since 2020, the definition has been that the organization has adopted AI in at least 1 function.
Source: McKinsey Global Survey on AI, 1,363 participants at all levels of the organization, Feb 22–Mar 5, 2024

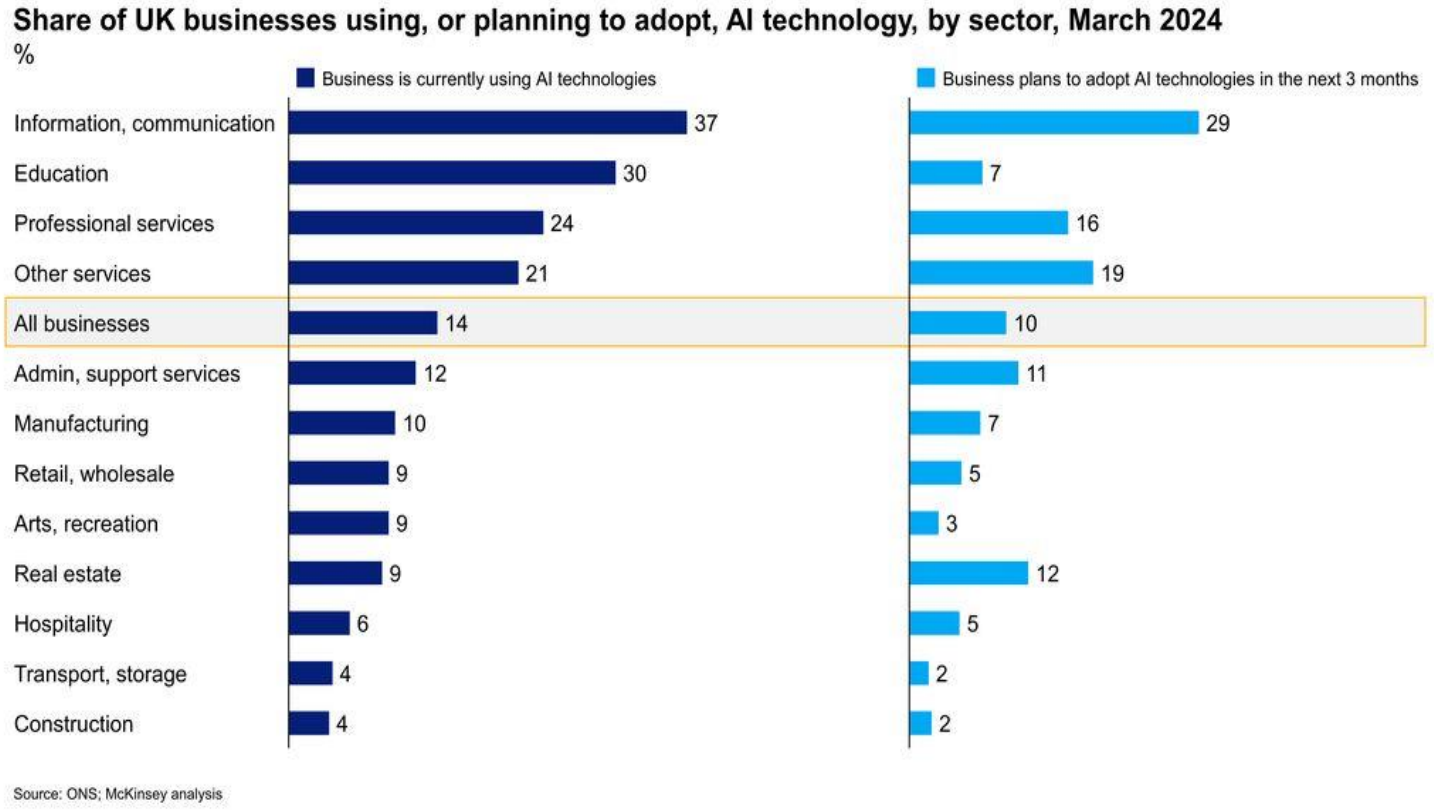
Source: QuantumBlack, AI by McKinsey, and McKinsey Digital., The state of AI in early 2024: Gen AI adoption spikes and starts to generate value (https://www.mckinsey.com/capabilities/quantumblack/our-insights/the-state-of-ai)

Characteristics of survey:

- 1,363 participants at all levels in organisations
- Mainly (if not all) very large corporates
- Global, dominated by US
- Definition of AI not entirely clear

BUT IT DEPENDS ON WHAT YOU ASK AND WHO YOU ASK

In March 2024, fewer than 15% of UK businesses said they were using AI technology and only 10% said they planned to adopt it soon



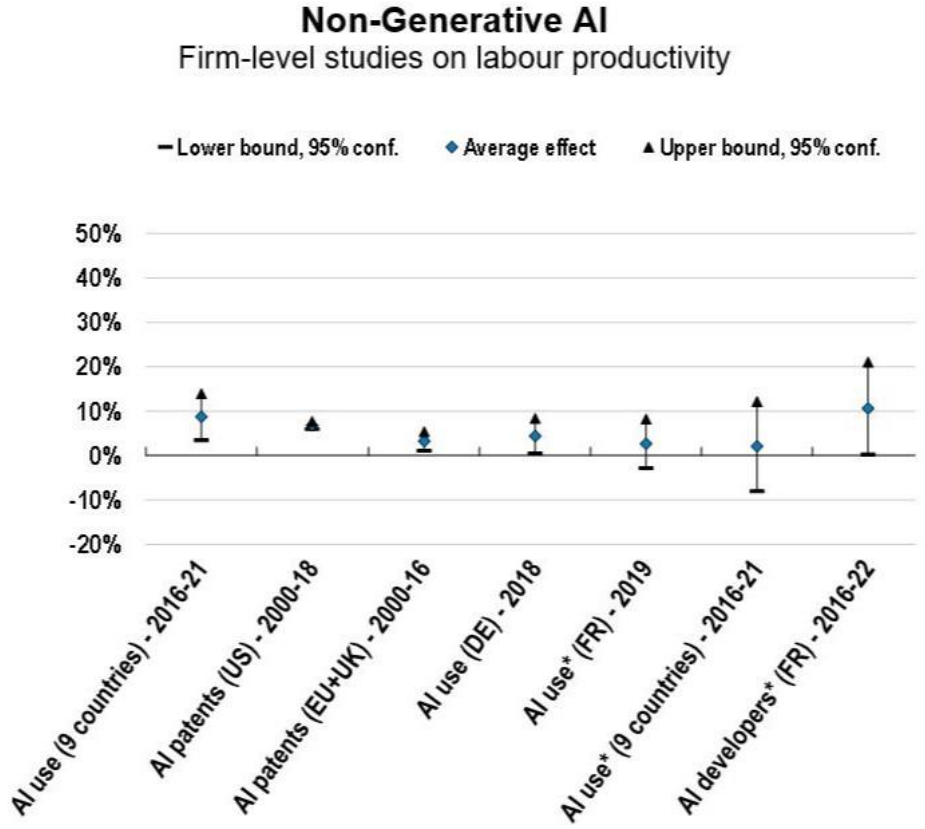
Characteristics of survey:

- Representative survey of all firms in UK by Office for National Statistics, weighted by firms by industry and size band, and the largest size band they have is 250+ employees
- Definition is much sharper: Which of the following artificial intelligence technologies, if any, does your business currently use:
  - autonomous vehicles
  - data processing using machine learning
  - image processing using machine learning
  - robotics
  - text generation using large language models
  - visual content creation

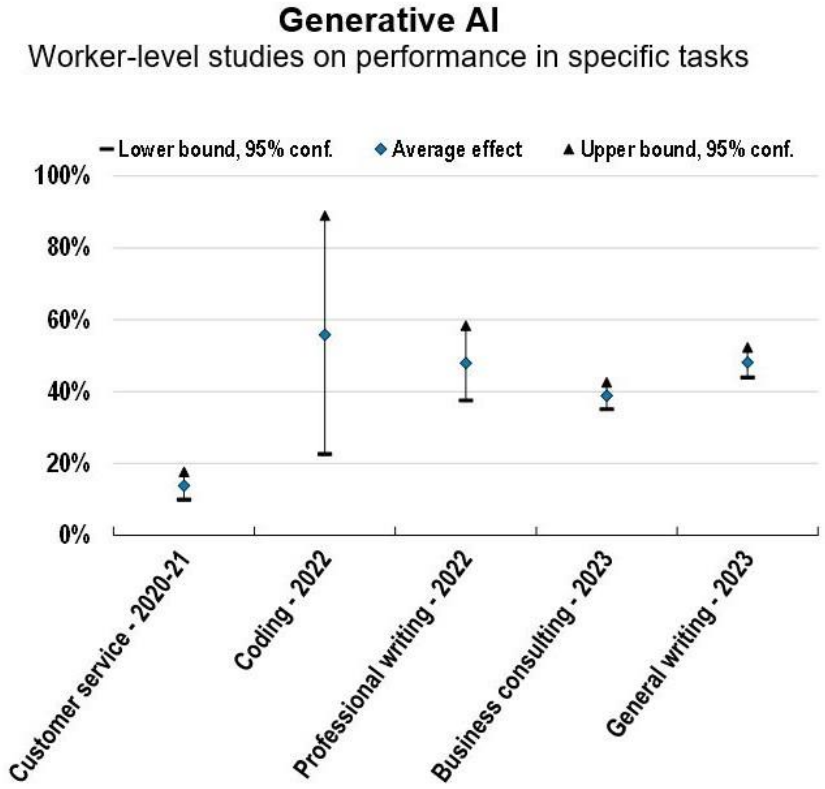
  + other, not sure, business is not using AI
- So, not “accidental” adoption: like traditional search engines, google maps, etc.

USE CASES SHOW LARGE PRODUCTIVITY GAINS FOR GENERATIVE AI FOR INDIVIDUAL FIRMS

The size of the firm-level productivity gains from pre-Generative AI is comparable to previous digital technologies (up 10%)



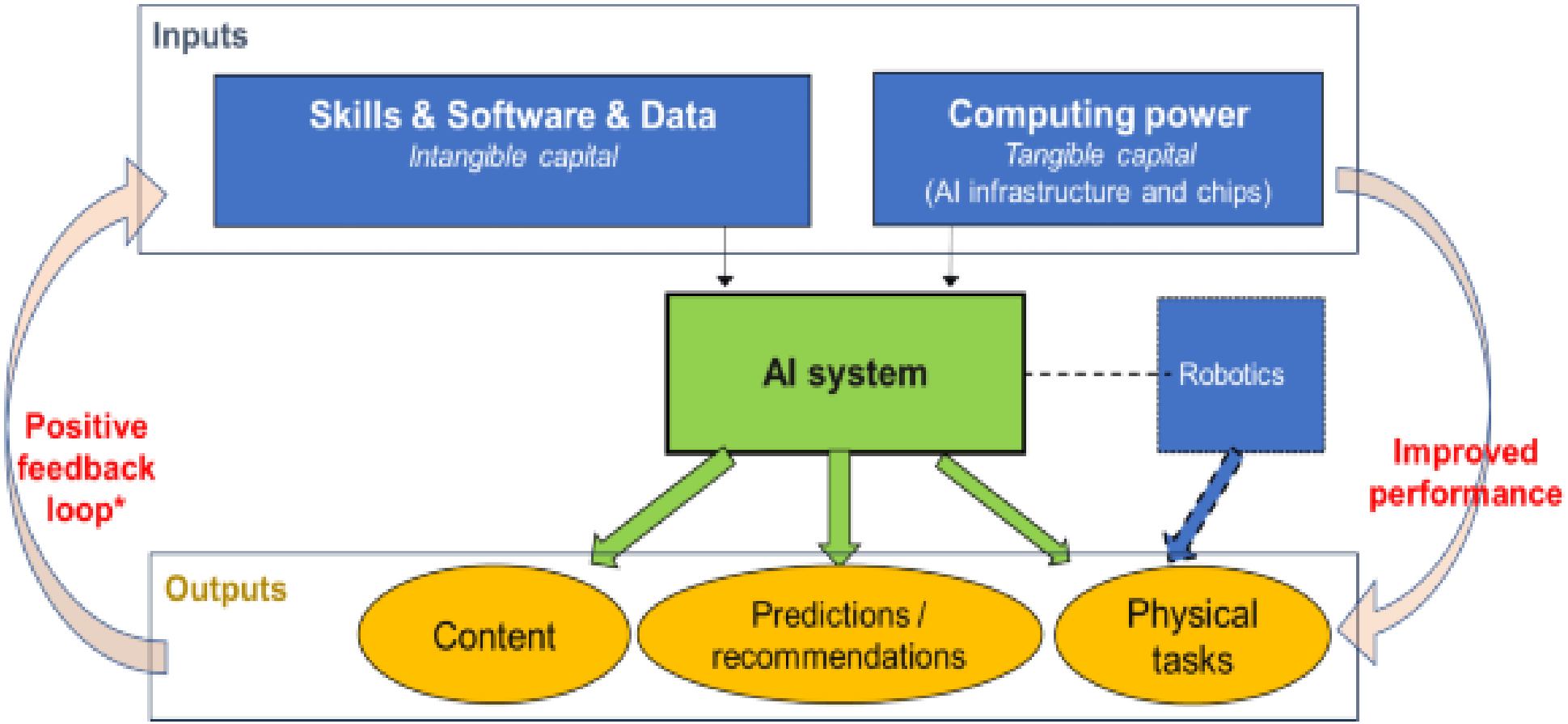
More recent Generative AI to assist with various tasks – writing, computer programming or customer service – show larger performance benefits (in the order of 20-50%)



Source: OECD

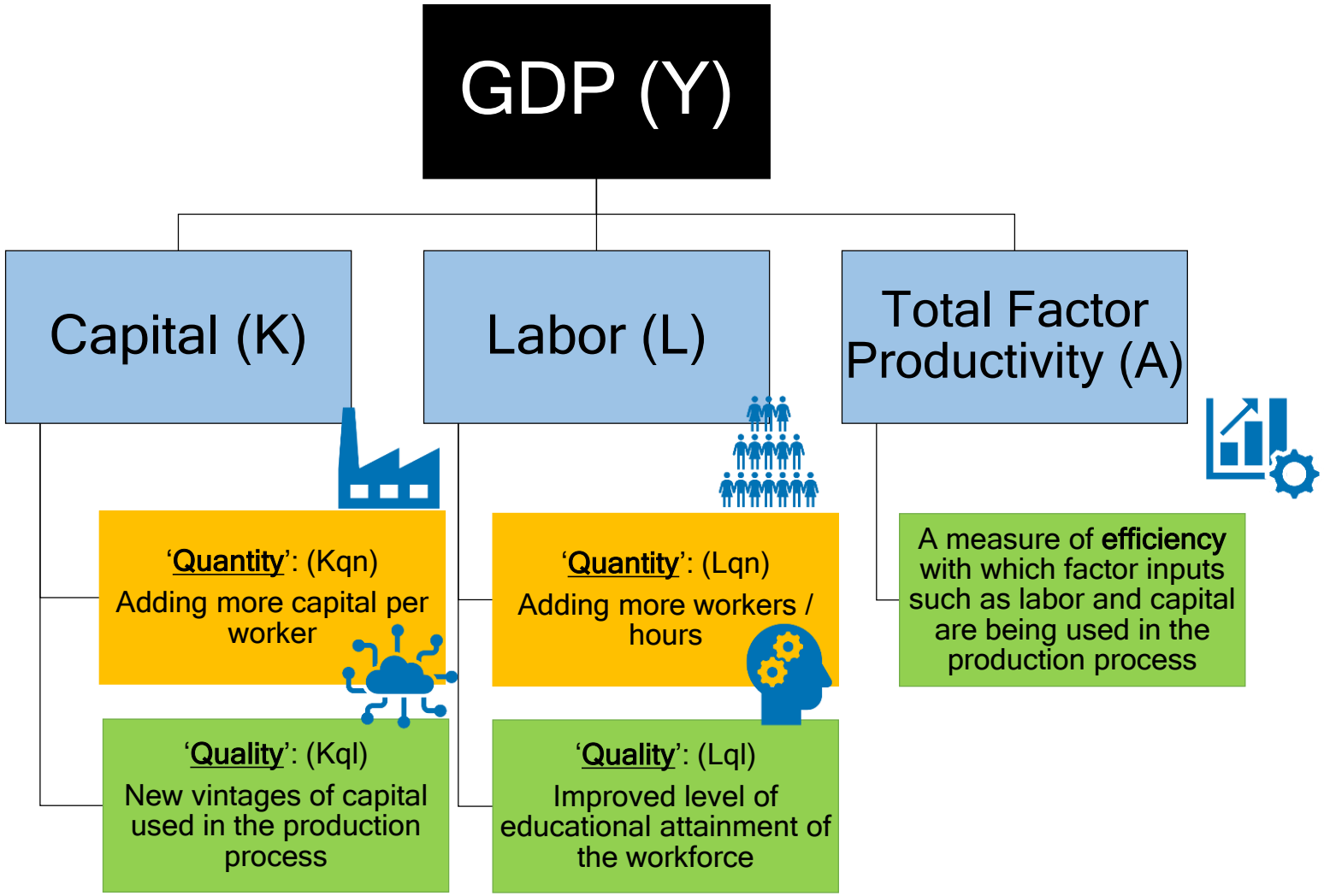
THE PRODUCTION FUNCTION OF AI IS LARGELY AN INTANGIBLES STORY BUT WITH A TWIST ON COMPUTING POWER

Figure 1. AI systems in a production function view: inputs and outputs

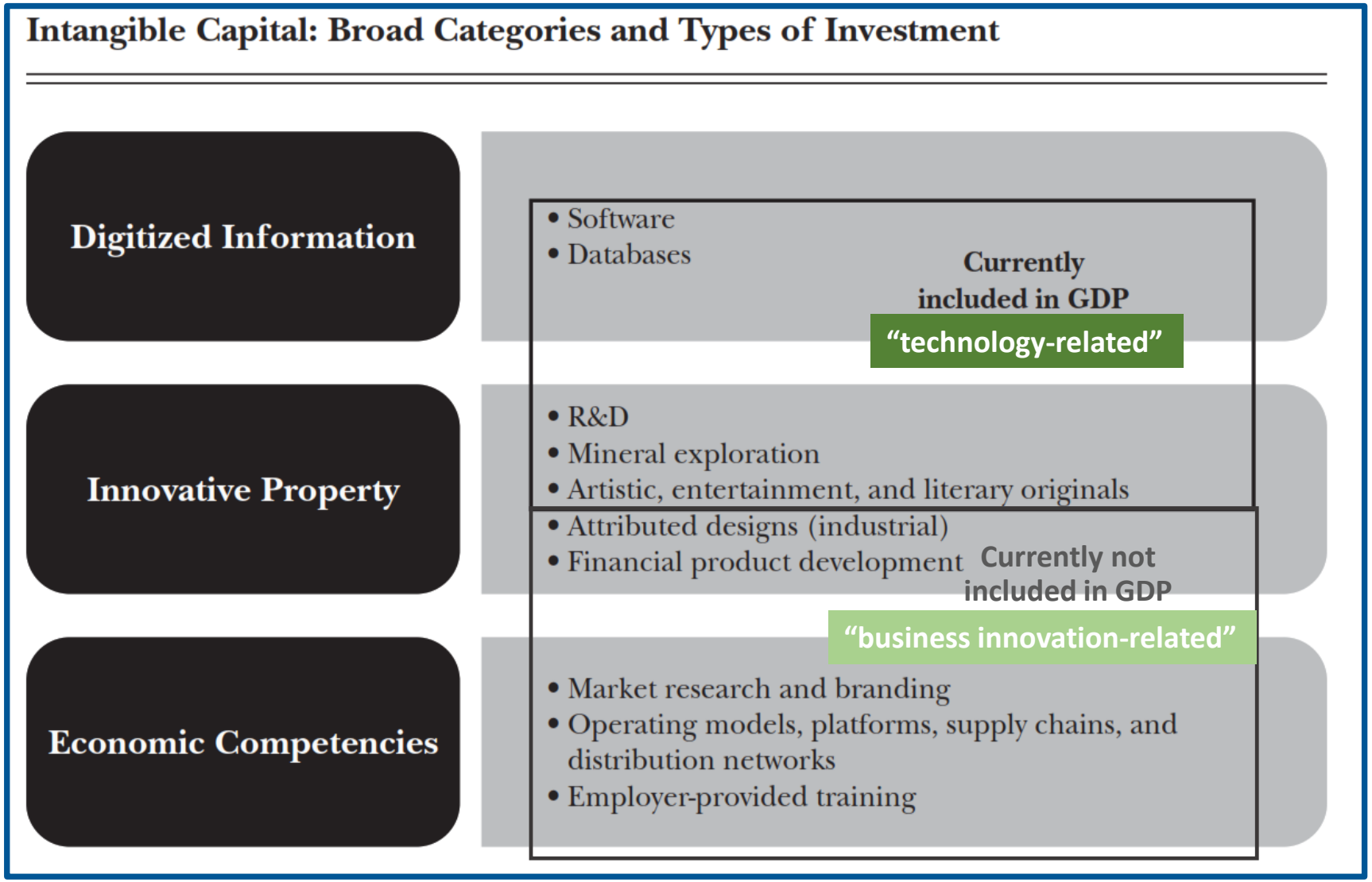


Source: Filppucci et al. (2024), The impact of Artificial Intelligence on productivity, distribution and growth: Key mechanisms, initial evidence and policy challenges, OECD Artificial Intelligence Papers No. 15.

THE TRADITIONAL ACCOUNTING FRAMEWORK DOES NOT SUFFICE FOR THE DIGITAL ECONOMY



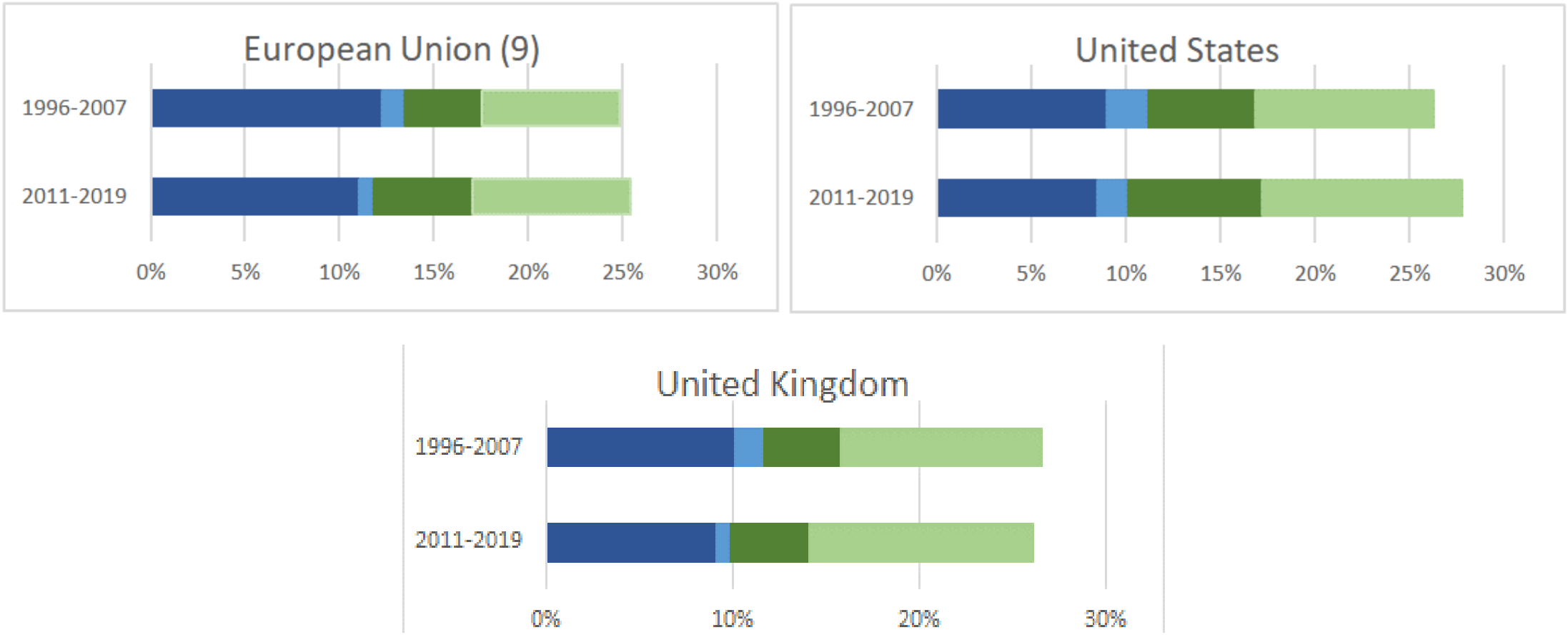
EXTENDING GROWTH ACCOUNTS TO INTANGIBLE CAPITAL



Source: based on Corrado et al. (2022)

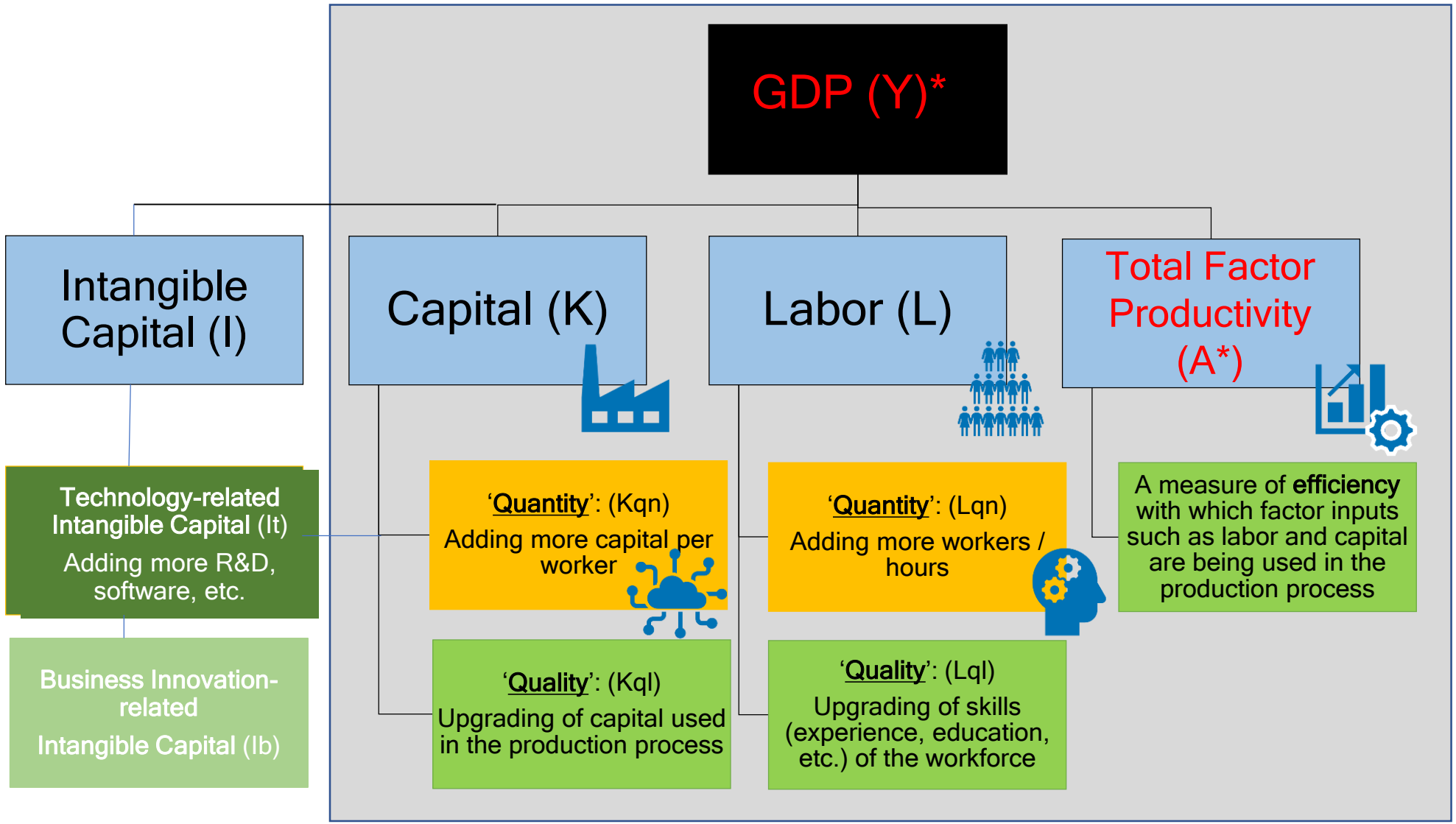
EUROPE IS CATCHING UP ON UNITED STATES IN INTANGIBLES INTENSITY

Investment Share in Value Added, Tangibles and Intangibles, Market Economy, 1996-2007 and 2011-2019



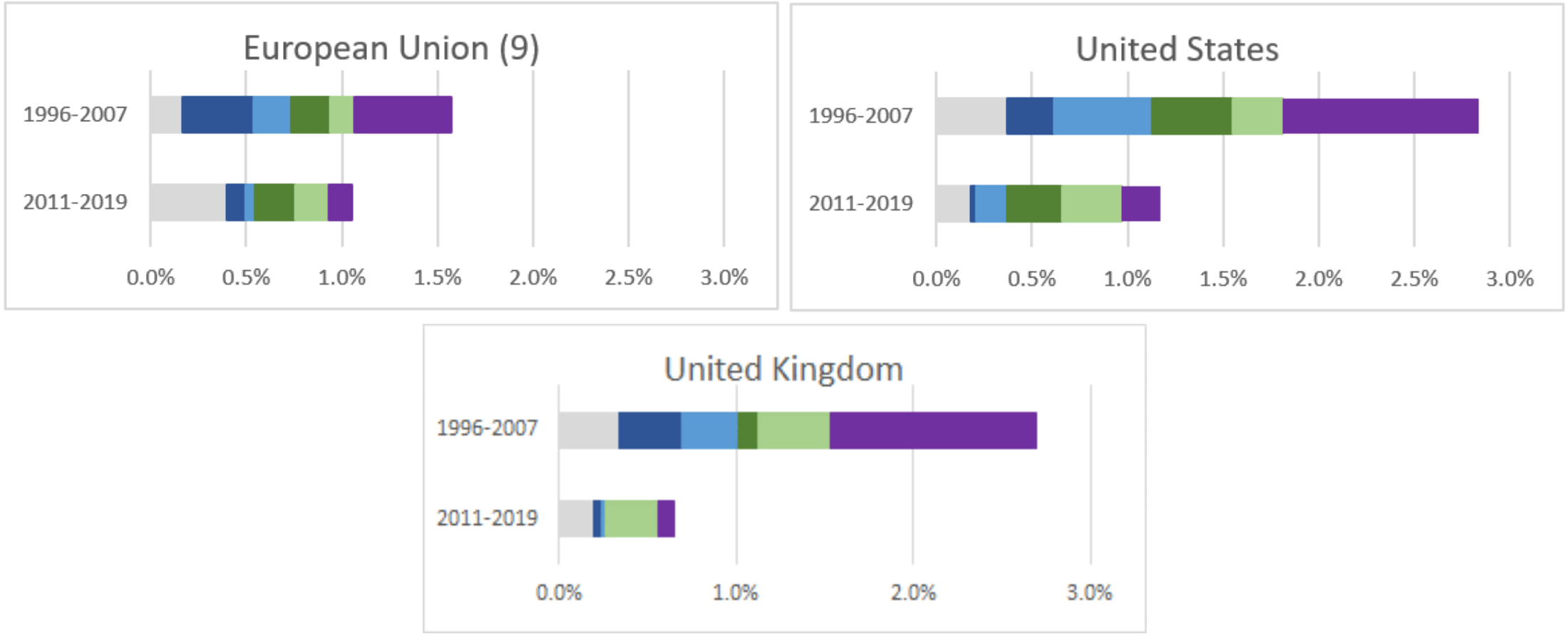
Note: European Union includes Austria, Germany, Denmark, Finland, France, Italy, Netherlands, Spain and Sweden.
Source: Van Ark et al. (2024), Are Intangibles Running out of Steam, International Productivity Monitor

EXTENDED GROWTH ACCOUNTING INCLUDING INTANGIBLE CAPITAL



INTANGIBLES HAVE NOT STOPPED TFP GROWTH FROM SLOWING OR EVEN DECLINING

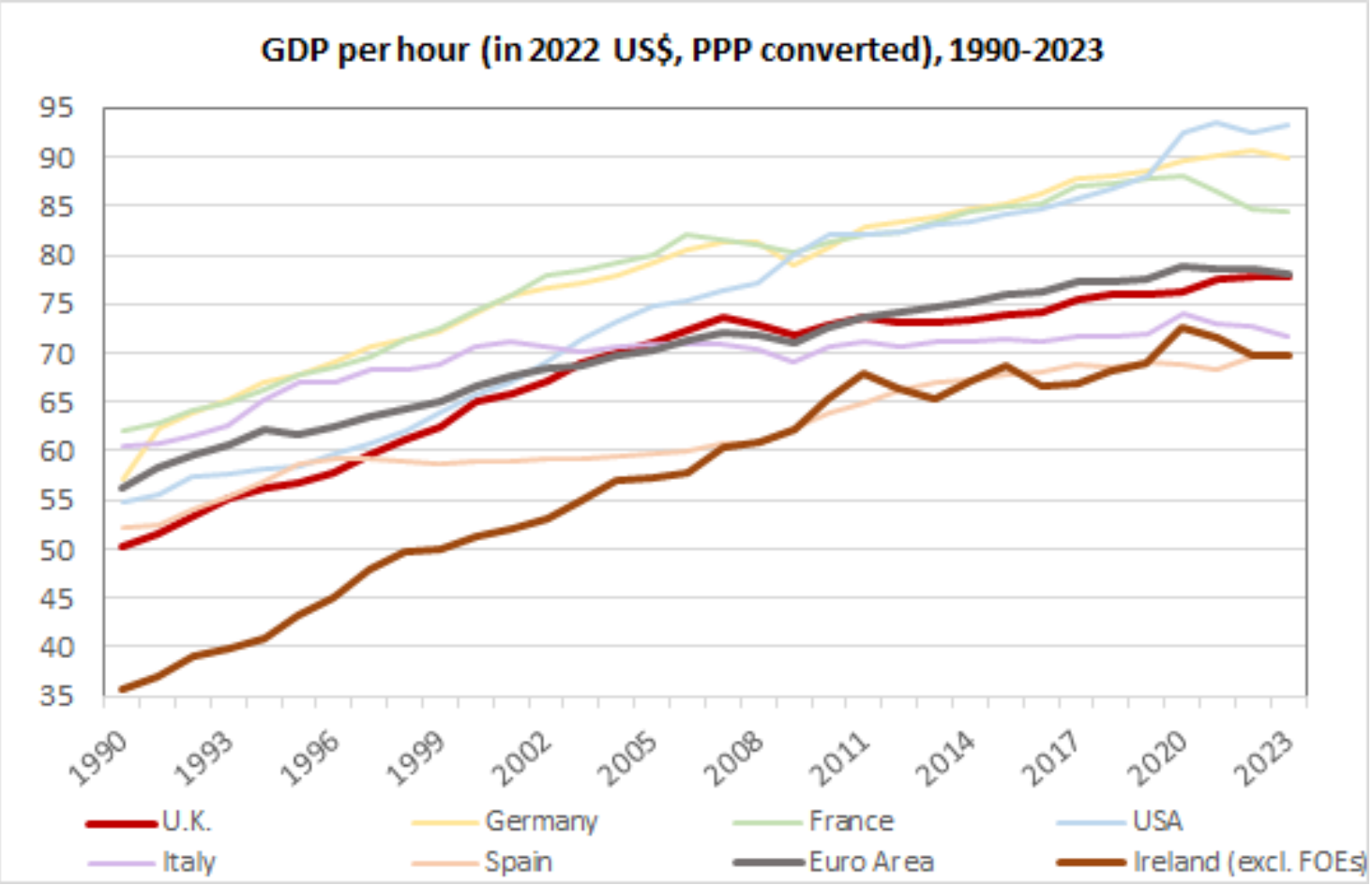
Extended Growth Accounting Decomposition of Labour Productivity, Market Economy, 1996-2007 and 2011-2019



Note: European Union includes Austria, Germany, Denmark, Finland, France, Italy, Netherlands, Spain and Sweden.
Source: Van Ark et al. (2024), Are Intangibles Running out of Steam, The Productivity Institute

PRO-PRODUCTIVITY POLICIES AND INDUSTRIAL STRATEGY

WEAK PRODUCTIVITY CREATES VULNERABILITIES AND LACK OF RESILIENCE



Slow productivity growth affects dynamic process of innovation, slows structural change and weakens competitiveness

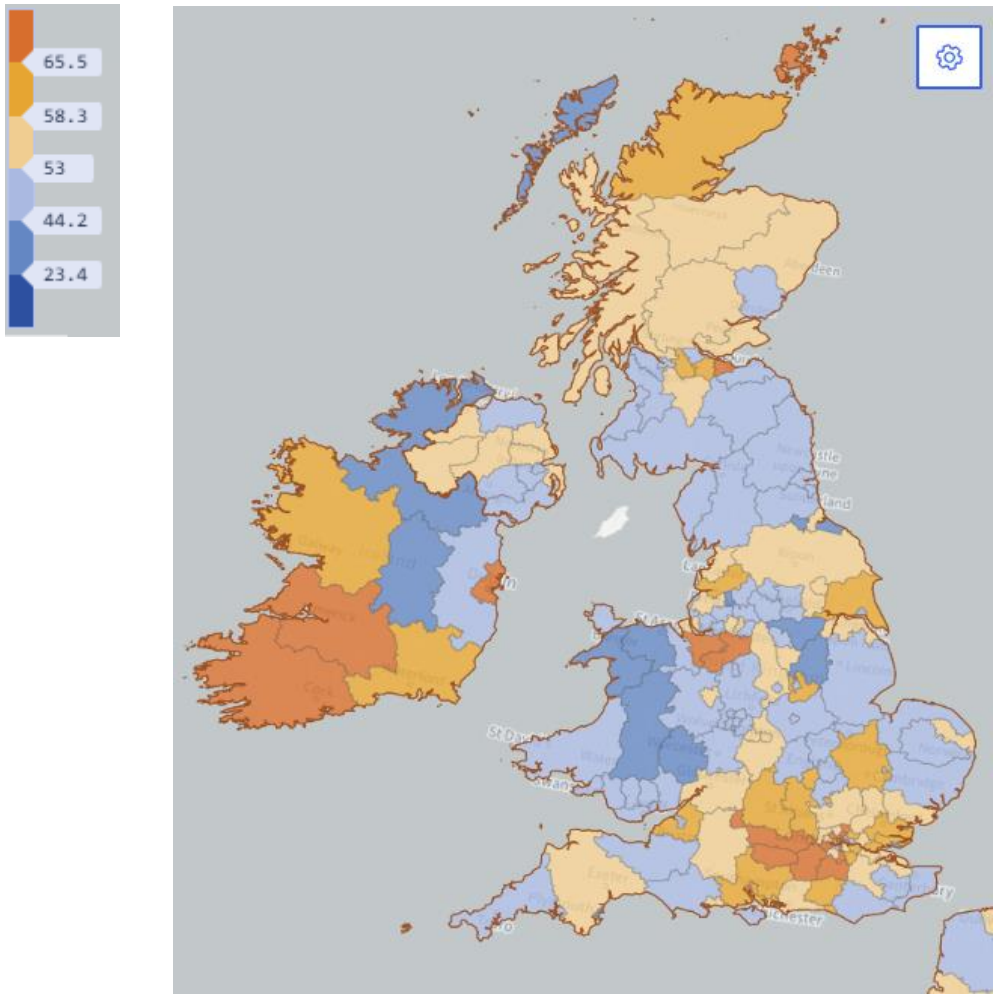
Low productivity levels affect resilience to absorb shocks and create vulnerabilities, and create low performance traps especially at a place-based levels

Source: The Conference Board, 2024

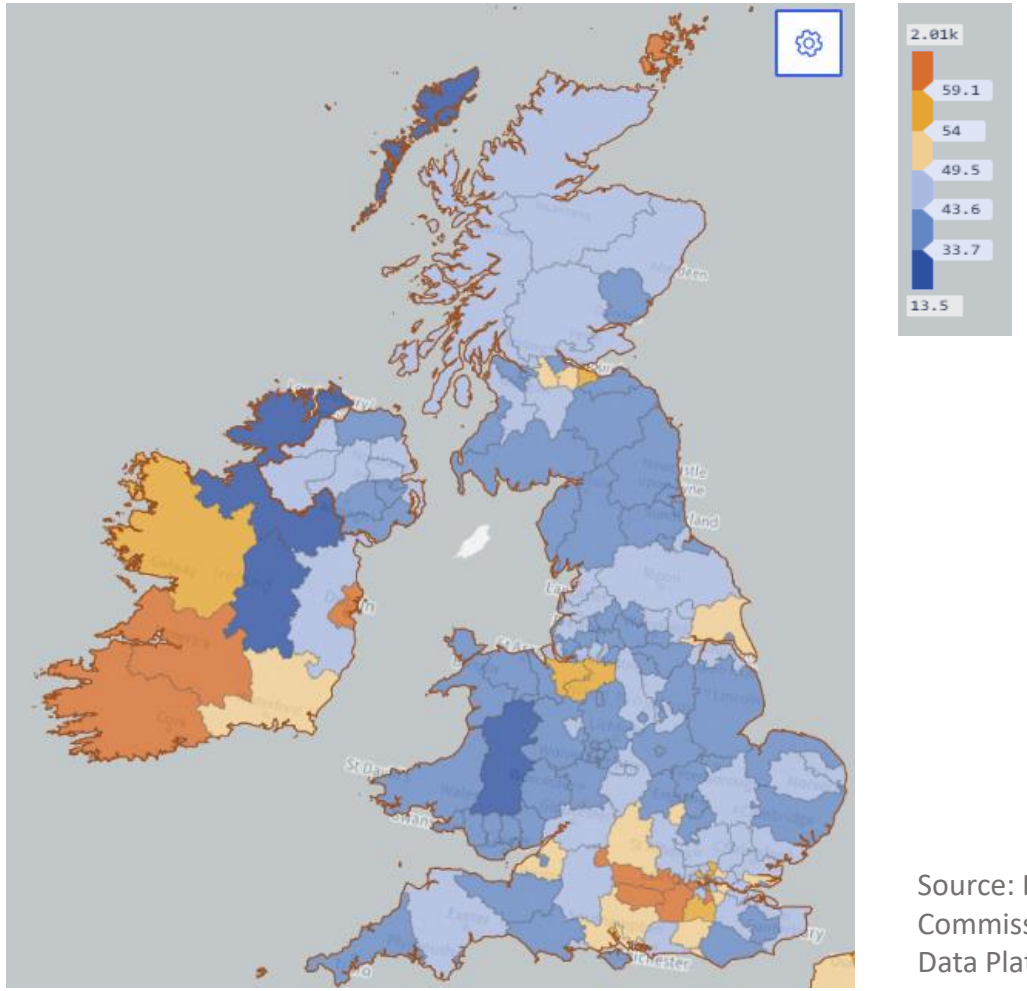
A LONG TAIL OF UNDERPERFORMING REGIONS, ESPECIALLY IN THE UK

Value added per hour worked by region NUTS3 region, 2023 *(unadjusted for sector structure)*

(in current euros)



(PPP converted)



Source: European Commission, Urban Data Platform Plus

INDUSTRIAL STRATEGY CAN BE PART OF THE ANSWER …

Improve competitiveness, protect economy security, and deliver the green and digital transitions

1. **Energy**: Emphasizing the need for sustainable and competitive energy solutions
2. **Clean Technologies**: Focusing on green technologies to align with the EU's climate goals
3. **Key Raw Materials**: Ensuring a stable supply of essential materials for various industries
4. **Automotive**: Supporting the transition to electric vehicles and sustainable transport solutions
5. **Pharmaceuticals**: Enhancing innovation and competitiveness in the healthcare sector
6. **Transport**: Improving infrastructure and connectivity across the EU
7. **Aerospace**: Maintaining Europe's competitive edge in aerospace technology
8. **High-Tech Sectors**: Investing in advanced technologies and digital innovation

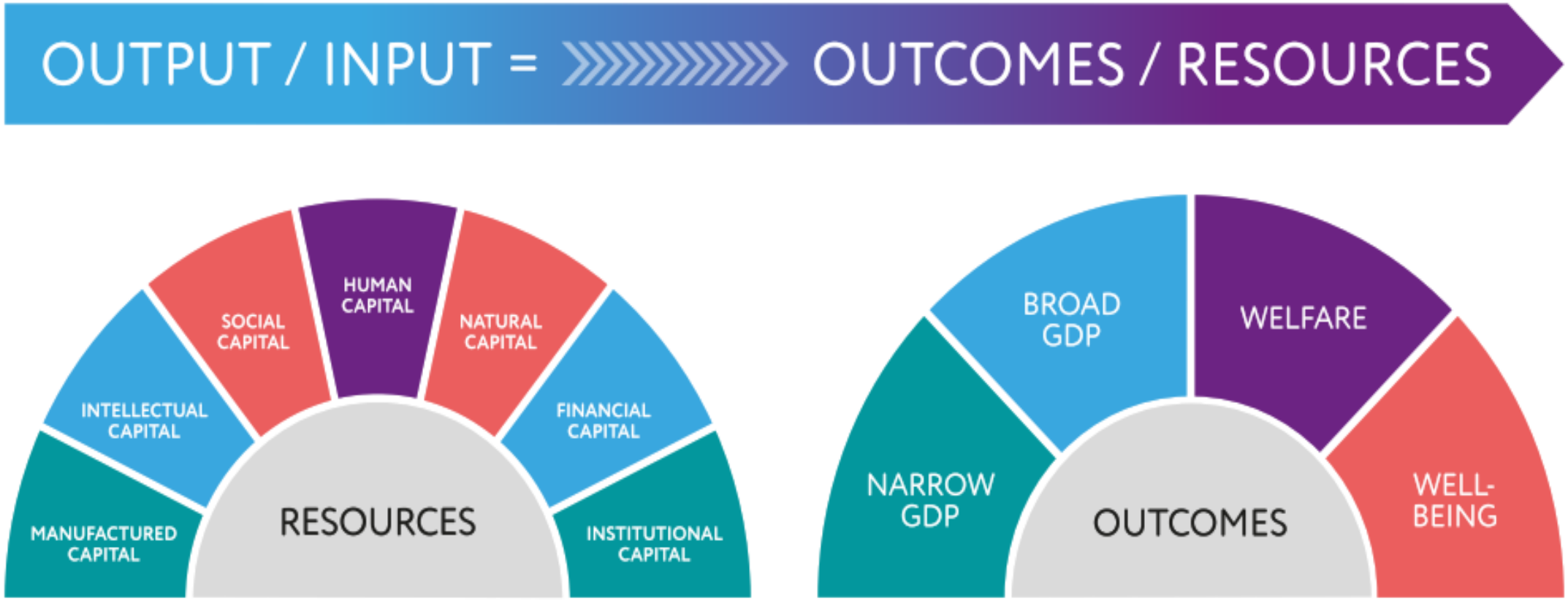
Drive sustainable, inclusive, and resilient growth by focusing on high-potential sectors and regions

1. **Advanced Manufacturing**: Emphasizing high-tech and precision manufacturing processes.
2. **Clean Energy Industries**: Focusing on renewable energy sources and sustainable energy solutions.
3. **Creative Industries**: Covering areas like media, entertainment, and design.
4. **Defence**: Enhancing capabilities in national security and defence technologies.
5. **Digital Technologies**: Including IT, software development, and emerging technologies like AI & blockchain.
6. **Financial Services**: Strengthening the UK's position as a global financial hub.
7. **Life Sciences**: Advancing medical research, biotechnology, and pharmaceuticals.
8. **Professional & Business Services**: Supporting a wide range of activities, from consulting to legal services

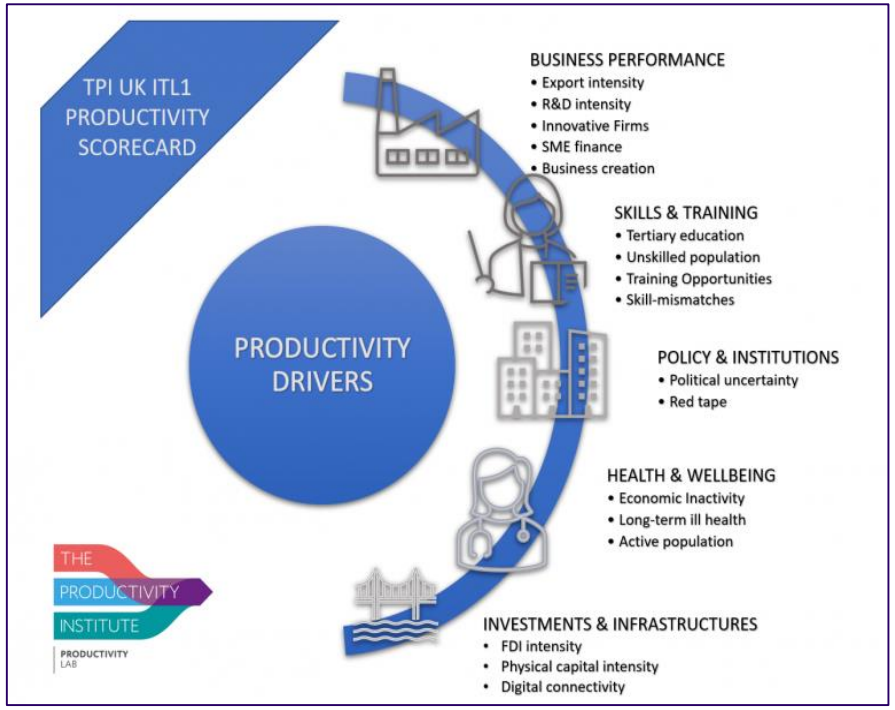
… BUT ONLY WHEN INTEGRATED WITH A BROADER AGENDA FOR INCLUSIVE GROWTH

Productivity for inclusive growth *is created by: (1) providing broad based access to all resources; (2) transforming resources into outcomes in an efficient and sustainable way; (3) distributing the gains widely across society*

TRANSFORM THE PRODUCTIVITY NARRATIVE FROM OUTPUT/INPUT TO OUTCOMES/RESOURCES



PRODUCTIVITY DRIVERS ARE BROAD-BASED IN A STRONGLY PLACE-BASED CONTEXT



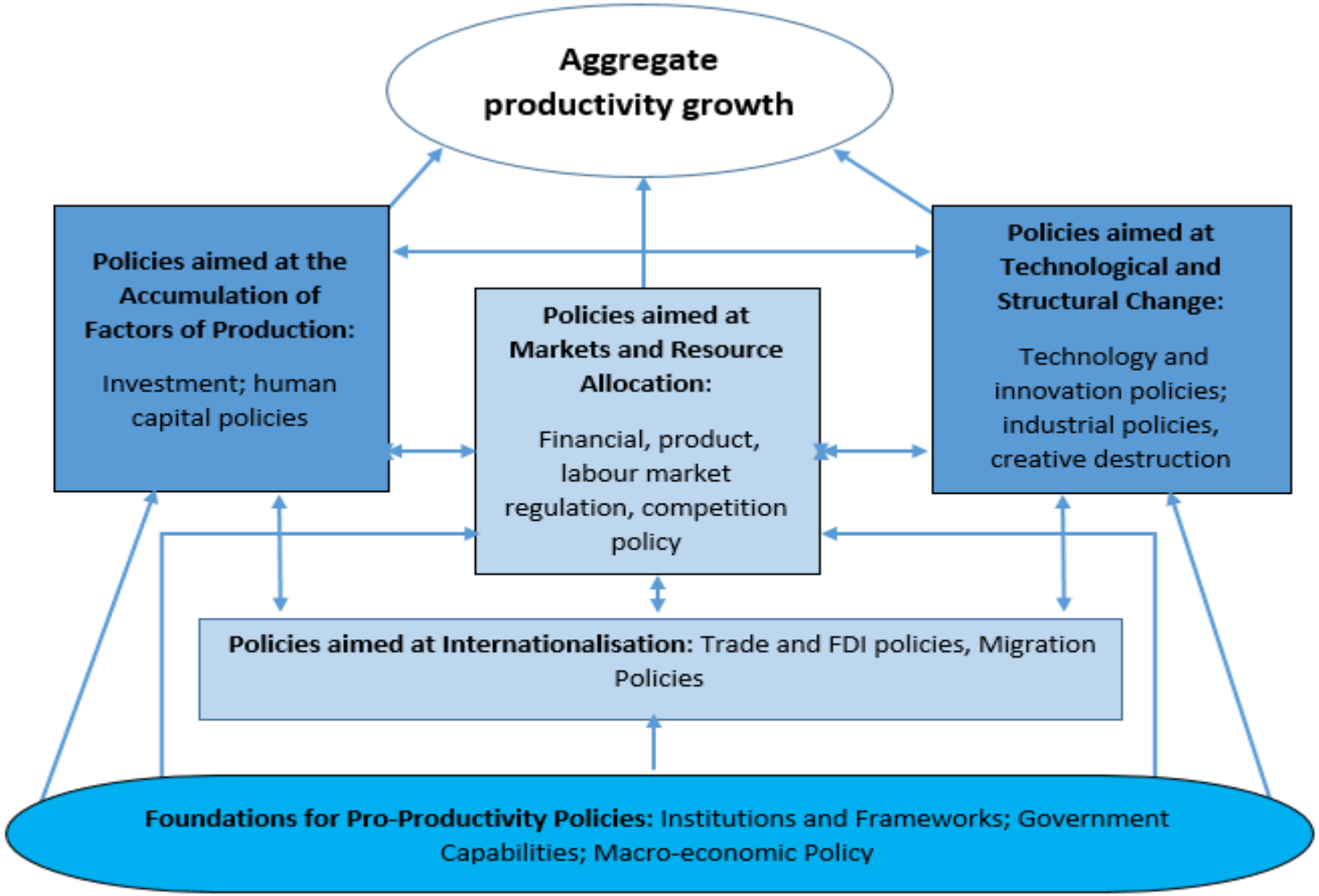
Category	Productivity driver	ITL1 median	London (1st)	South East (2nd)	Scotland (3rd)	East of England (4th)	North West (5th)	South West (6th)	West Midland (7th)	East Midland (8th)	North East (9th)	Yorks & The Humber (10th)	Wales (11th)	Northern Ireland (12th)
Business performance	Export Intensity	24.2%												
Business performance	R&D Intensity	£631.55												
Business performance	Innovative Firms	45.3%												
Business performance	SME Finance	8.0%												
Business performance	Business Creation	11.6%												
Skills & training	Tertiary Education	39.3%												
Skills & training	Unskilled population	17.5%												
Skills & training	Training Opportunities	50.0%												
Skills & training	Skill-mismatches	5.0%												
Policy & institutions	Political Uncertainty	24.0%												
Policy & institutions	Red Tape	21.0%												
Health & wellbeing	Economic Inactivity	21.6%												
Health & wellbeing	Long-term ill Health	24.6%												
Health & wellbeing	Active Population	62.0%												
Investments & infrastructure	FDI Intensity	£30,858												
Investments & infrastructure	Physical Capital Intensity	£10,122												

Key

Better: higher than 105% of ITL1 median
Equal: within 95-105% of ITL1 median
Worse: lower than 95% of ITL1 median

Source: TPI Productivity Lab, The TPI Productivity Scorecards for English Regions and Devolved Nations (https://www.productivity.ac.uk/the-productivity-lab/).

A FRAMEWORK FOR PRO-PRODUCTIVITY POLICIES



Source: B. van Ark, K. de Vries, D. Pilat (2023) Are Pro-Productivity Policies Fit for Purpose? Working Paper No. 038, The Productivity Institute (https://www.productivity.ac.uk/research/are-pro-productivity-policies-fit-for-purpose-productivity-drivers-and-policies-in-g-20-economies/)

The Accumulation of Productive Factors

Table 2: **Policies aimed at the accumulation of productive factors by development stage**

	Early stage (low-income, start of development process)	**Middle stage (middle-income, overcoming middle-income trap)**	**Advanced Stage (highly developed and internationalised)**
Investment	Increase Business Investment, Attract FDI, Infrastructure	Quality of Investment, Expansion of Infrastructure	Intangibles, Advanced Infrastructure, Equity Financing, Reallocation of Capital
Human capital	Primary, Secondary & Vocational Education, Basic Skills, Some Tertiary Education	Access to Education, Tertiary Education, More Advanced Skills	Quality of Education, Advanced Skills, Life-Long Learning, Skills Allocation & Mismatch

Source: Authors elaboration.

Technological and Structural Change

Table 3: Policies for technological and structural change by development stage

	Early stage (low-income, start of development process)	Middle stage (middle-income, overcoming middle-income trap)	Advanced stage (highly developed and internationalised)
Innovation & technology policies	Development of absorptive capacity, use of local knowledge, investment in public R&D, fostering private R&D	Development of own strengths, tapping into foreign knowledge, greater private and public investment in R&D, innovation system	Deepening of strengths, specialisation and greater regional, national and international collaboration in innovation system
Industrial policies	Support for potential high-growth areas, Industrialisation Policies, structural change, sector-specific policies	More advanced industrial policies, focused on more advanced stages of production & services, diversification	Facilitating structural change, foster new growth areas, balance with competition, sectoral policies, regional policy
Policies to foster creative destruction and business dynamics	Improve relevant institutional frameworks, remove barriers to firm entry and growth	Remove barriers to firm entry, growth and exit	Facilitate growth and change, address new and unnecessary barriers to entry, exit and growth

Markets and Resource Allocation

Table 4: Policies for markets and resource allocation by development stage

	Early stage (low-income, start of development process)	Middle stage (middle-income, overcoming middle-income trap)	Advanced stage (highly developed and internationalised)
Financial market policies and regulation	Development of financial and banking system, financial regulation, scope for e-banking	Evolution of financial system, equity financing	Financing for intangible assets, VC financing, ESG financing
Product market policies and regulation	Reduce regulatory and administrative barriers (e.g., red tape), assess state ownership	Reducing state ownership, removal of regulatory barriers, opening to (international) competition	Innovation-friendly regulation, regulation of new markets, local and regional barriers
Labour market policies and regulation	Labour market frameworks and regulations, workers' rights	Labour market regulation and flexibility, policies to address informality	Labour market mobility, increase participation, migration policies
Competition Policies	Assessing competition in domestic markets; basic competition policy	More advanced competition policy	Competition policy for digital markets, market assessments, international dimensions

Internationalisation

Table 5: Policies for internationalisation by development stage

	Early stage (low-income, start of development process)	Middle stage (middle-income, overcoming middle-income trap)	Advanced stage (highly developed and internationalised)
Trade policies	Trade Openness; Export Promotion (sometimes with import substitution)	Upgrading Engagement in GVCs, Trade in Services	Growing complexity of trade and engagement in GVCs; trade in services, digital trade
FDI	Attracting FDI for Export-led Growth, Engaging in GVCs	Upgrading FDI; Build Linkages between Domestic and Foreign Sector	Attractiveness to Advanced FDI; Increasing Benefits of FDI, Outward FDI, Security
Immigration	Facilitate Migration, Remittances	Facilitate returnees and immigration, more advanced migration policy	Immigration aimed at attracting high-end skills and addressing skills gaps

Institutitions and Frameworks

Table 6: Policies for institutions and frameworks by development stage

	Early stage (low-income, start of development process)	Middle stage (middle-income, overcoming middle-income trap)	Advanced stage (highly developed and internationalised)
Institutions	Institution building	Deepening of institutions	Advanced frameworks, new institutions, protecting institutions
Government capabilities	Training of civil servants, development of frameworks and processes, salaries civil servants	Support for full policy cycle, including evaluation, policies to address corruption	More integrated policies, advanced skills and tools to support policy, e.g., procurement
Macroeconomic policy	Control of inflation, stability of exchange rates, budget stability	Extending tax base, stability of policies	Stable and well-established policies

Country applications (UK and South Korea)

Table 10: Stylised pro-productivity policies for the UK, 1960s-1970s, 1980s-1990s and 2010s-2020s

	1960s-1970s	1980s-early 1990s	2010s-2020s
Institutions & frameworks			
Institution building			Fragmented institution building without joined up growth strategy
Government capabilities			Political instability, exacerbated by Brexit vote (2016)
Macroeconomic policy	Cycles of expansionary fiscal stance putting pressure on exchange rate causing monetary tightness	Restoration of macro-economic stability	Independence of Bank of England (2007)
Factor Accumulation			
Investment		Privatisation of public services to improve customer performance	National Infrastructure Commission (2015) to strengthen infrastructure
Education & skills	Failure to introduce adequate vocational training	Rapid expansion of higher education system	Introduction of Local Skills Improvement Plans (LSIPs) to better meet local skill needs
Resources			Implementation of Net-Zero Policy and Climate Change Commission
Technology			
Innovation & technology		Failure to modernise innovation policies (R&D and diffusion)	Introduction of R&D Tax Credit (2000)
			Introduction of Catapult Centres (2011) to accelerate diffusion
Industrial policy	National Economic Development Office to develop growth and investment strategy		Introduction of Industrial Strategy Council (2017)
	Attempts at state-led industrialisation stranded in lack of unity between government, unions and employers		Industrial Strategy Council abolished (2021)
Creative destruction		Reduction in inefficiencies through higher churning of inefficient firms	Creation of long tail of inefficient firms because of low wage levels relative to cost of investment
Markets			
Financial markets		Big Bang reforms (1986) deregulating the London Stock Exchange and	British Business Bank (2014) to facilitate SME finance
		Deregulation of financial services	Revision of Financial Services and Markets Bill to respond to new developments in financial markets, incl. fintech (2023)
Product markets		Product market deregulation	Failure of reform in land-use planning
		Rapid increase in ICT investment especially in services	
Labour markets	Rigidly demarcated labour market policies	Deregulation of labour markets and reform of industrial relations	
Competition policy		Privatisation of State-Owned Assets incl. utilities and transport	Establishment of Competition and Market Authority
Internationalisation			
Trade	Too slow reorientation of Commonwealth to EC trade		Brexit vote (2016)
	Entry into the EEC (1973)		EU-UK Trade and Cooperation Agreement (2021) complicating trade relationships
FDI	Failure to attract new FDI		
Migration			Expansion of liberal migration policy (as of 2004)
Inclusion			Levelling up of disadvantaged regions

Notes: 1. The colours point to pro-productivity policies typical for different levels of economic development, as follows:

Stylised policies low-income economy | Stylised policy middle-income economy | Stylised policy advanced economy | Potential anti-productivity effects

Table 8: Stylised pro-productivity policies for Korea, 1960s and 2020s

	1960s	Late 1990s to early 2000s	Late 2010 to early 2020s
Institutions & frameworks			
Institution building	Development of state institutions aimed at planning and implementation		Establishment of independent anti-corruption agency
Government capabilities	Development civil service as professional & meritocratic institution		
Macroeconomic policy	Stable macroeconomic policies		
Factor Accumulation			
Investment	Strong public investment in infrastructure	Reforms to corporate governance frameworks	Reforms to corporate governance, strategic investment in selected industries
Education & skills	Rapid expansion of secondary and tertiary education	Expansion of training following economic crisis	
Resources		Development of national planning and land-use system	Green New Deal with focus on transition to low-carbon and green economy
Technology			
Innovation & technology	Encouragement of up-to-date technology from abroad	Promotion of knowledge-based economy and information infrastructure, strengthening of R&D frameworks	Increase in R&D budget
Industrial policy	Aggressive export promotion combined with protection domestic market		Strategic investment in (4) strategic areas and support to (8) key industries
Creative destruction	Large enterprise (chaebol) creation encouraged by state, selection linked to export success	Significant corporate restructuring: reforms to bankruptcy system to facilitate exit; some reductions in protection of SMEs	Reform of SME support policies, tax reductions and exemptions for start-ups, creation of venture and start-up eco-system
Markets			
Financial markets	State control of financial system with focus on risk sharing	Financial sector restructuring programme, including privatisation of commercial banks, range of other reforms to financial markets	Reforms of corporate governance
Product markets	Protection infant industries, promotion export industries	Privatisation, liberalisation of trade and FDI, range of regulatory reforms	Introduction of regulatory sandboxes and regulation-free special zones
Labour markets	Little labour unrest, low union activity	Expansion of employment insurance and social welfare schemes	Expansion of public employment, increase in minimum wage, focus on labour market participation under-represented groups, expansion of training and social insurance, reduction in working hours
Competition policy	Competition in context of export promotion strategy, but also focus on concentration	Privatisation programme of several state-owned enterprises, strengthening of competition	
Internationalisation			
Trade	Export promotion strategy	Trade liberalisation, including abolition of most quotas, first FTA (with Chile),	Conclusion of Regional Comprehensive Economic Partnership
		No liberalisation in services and agriculture	
FDI	No liberalisation	Reduced barriers to FDI and incentives to encourage FDI inflows	
Migration	Policy of reverse brain drain from 1966		
Inclusion	Build on relatively egalitarian society, investment in education		Core focus of government policy from 2017-2022

Notes: 1. The colours point to pro-productivity policies typical for different levels of economic development, as follows:

Stylised policies early development stage | Stylised policy middle development stage | Stylised policy advanced development stage | Potential anti-productivity effects

THE MIX OF PRODUCTIVITY POLICIES CHANGES OVER TIME AND BETWEEN COUNTRIES

- Pro-productivity policies are **not separate from core policy areas** including macroeconomic, structural and reform policies, trade, science & innovation, etc.
- The **policy mix changes over time** depending on level of development, changes in technology & innovation regimes, thinking about pro-growth and structural policies and government capabilities.
- Detailed analysis of individual countries shows that while stylised policies are characteristic for a certain level of economic development, there is **no single pathway to productivity growth**.
- **Comparisons and learnings from experiences** in different countries can help to design the pathway forward

MAKING PRO-PRODUCTIVITY POLICIES FIT FOR PURPOSE

- Science and innovation policies need to better **balance technological progress with the diffusion of knowledge** and stronger **absorptive capacity of firms and ecosystems**.
- Need for a **new paradigm for innovation and industrial policies** that can support productivity and inclusive and sustainable growth in the future.
- **Greater attention to investment-related policies consistent with sustainable growth**, notably as regards to intangibles and role of public investment.
- It cannot happen without **competition to allocate resources to most productive uses**.
- **Stronger institutions and capabilities** should allow for continuous and dynamic learning about pro-productivity policies across countries and over time.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