



# Management Matters

U.K. Launch Event

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**Stephanie Flanders**  
Economics Editor  
BBC Newsnight



Newsnight



Productivity: Setting the Scene

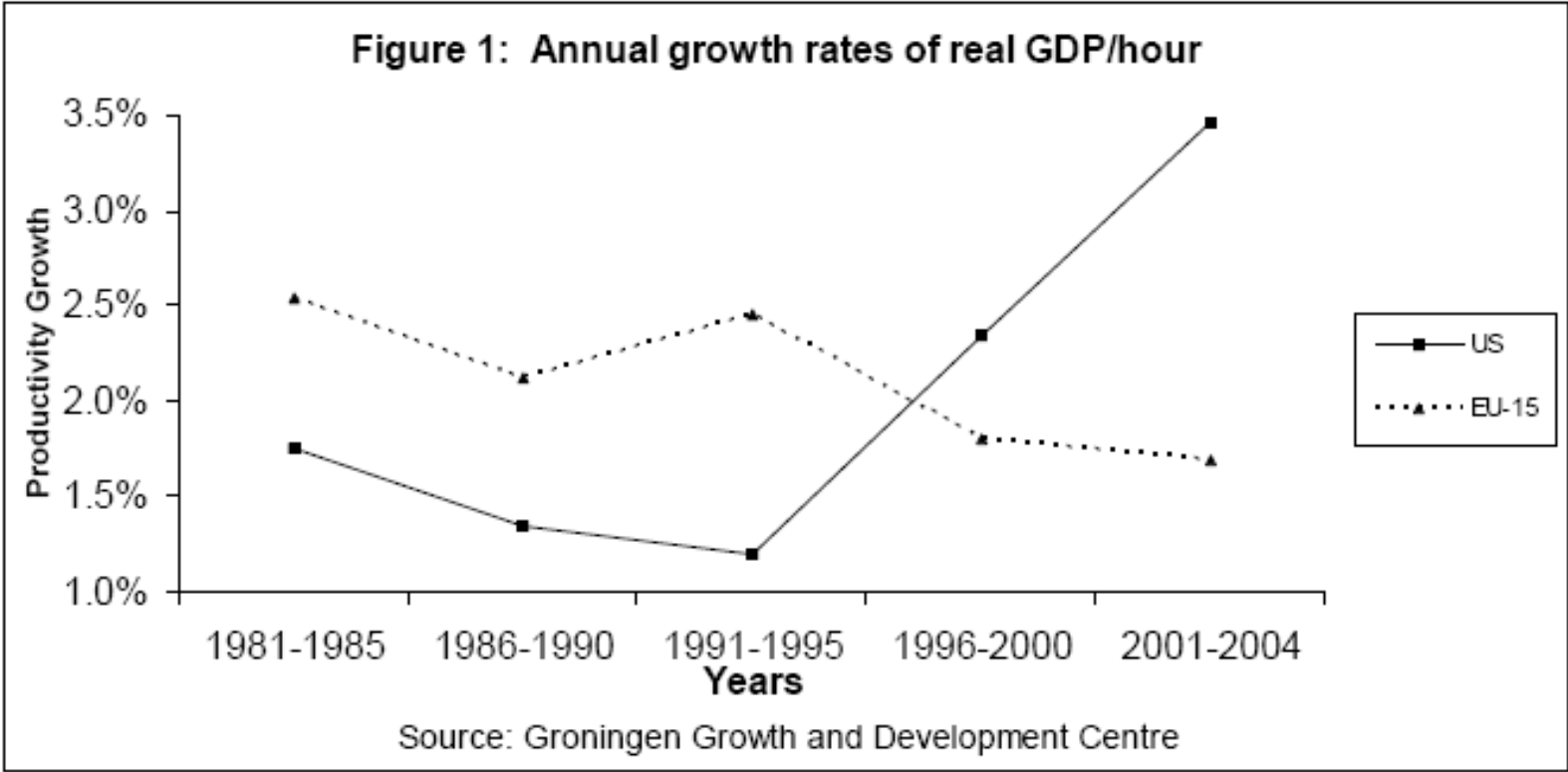
# AGENDA

- I. Recent Productivity Trends in the US and Europe
- II. The UK Story
- III. Why Does Britain Still Disappoint?

# I. The Productivity Story in US & Europe

- ❑ Why productivity matters
- ❑ The fall and rise of US productivity....
- ❑ Contrast with EU 15

# I. The Productivity Story in US & Europe



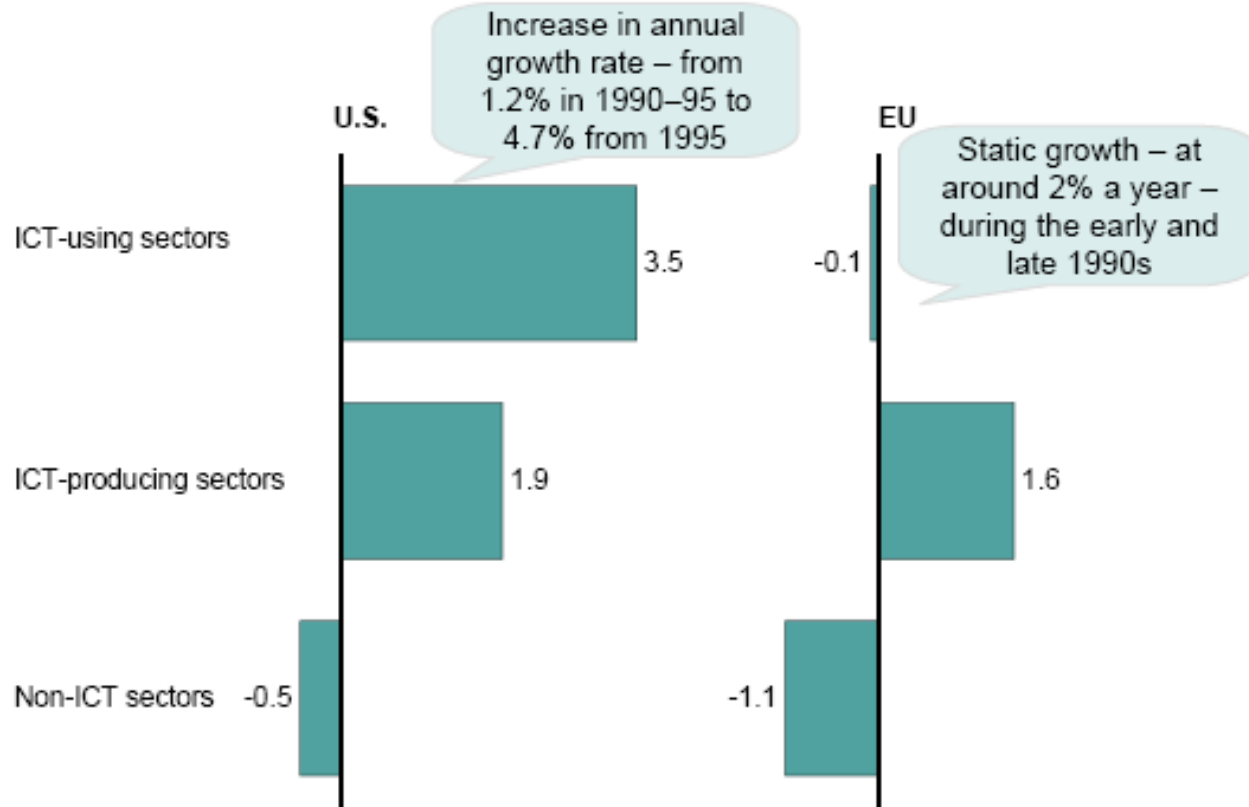
# I. The Productivity Story in US & Europe

## Explaining the US Take-Off: The Role of ICT

- ❑ From Solow's Paradox via Gordon's Puzzles to an 'IT presumption'.
- ❑ Americans do IT better – contrast in sectoral performance.

# I. The Productivity Story in US & Europe

Change in annual growth in output per hour from 1990–95 to 1995–2001  
%



Source: O'Mahoney and Van Ark, 2003

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# I. The Productivity Story in US & Europe

## Explaining the US Take-Off: The Role of Services

- ❑ Bosworth & Triplett: role of services in LP and MFP growth.
- ❑ Especially important for post-2000 MFP growth.

# I. The Productivity Story in US & Europe

Explaining the US Take-off: Supportive Culture & Institutions?

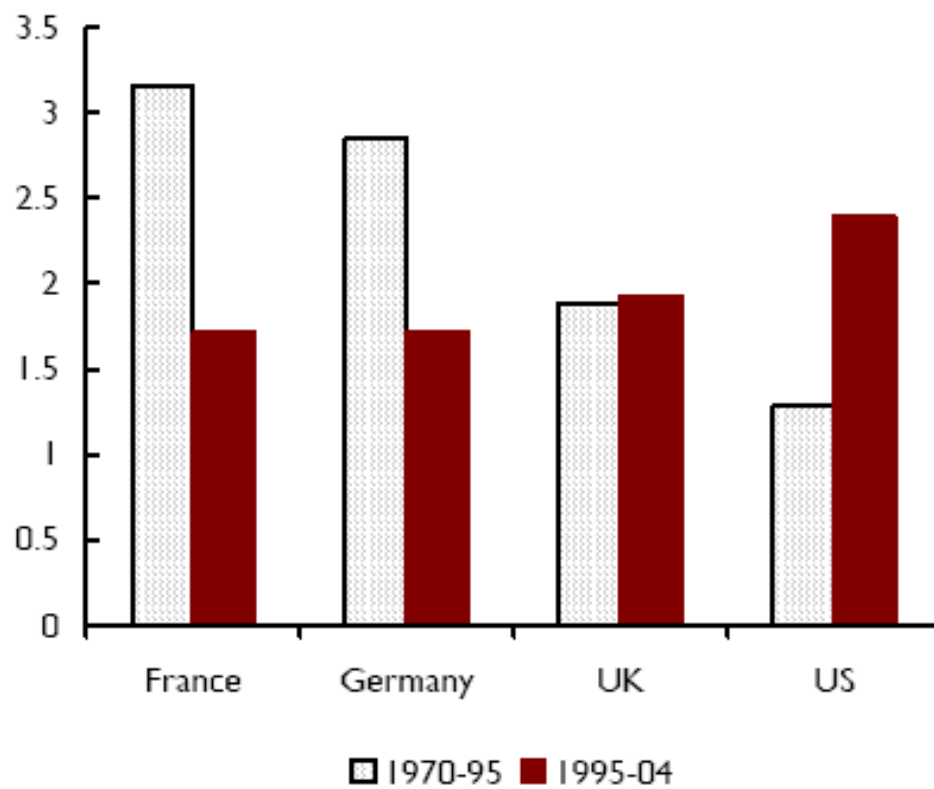
- US competitive culture spurs innovation and rapid adaptation.
- European corporatism protects incumbents, impedes new approaches.

## II. The UK Story

A Tale of Two Glasses.....

## II. The UK Story

Growth in value-added per hour worked, total economy, per cent per annum 1970-95 and 1995-2004



Source: EU KLEMS Database, March 2007, <http://www.euklems.net>.

# II. The UK Story

Mind That Gap: Relative GDP per hour worked, 2004 (UK = 100)

	Average value-added per hour worked (UK=100)	
	Total economy	Market economy
US	134	145
France	125	118
Germany	111	114
UK	100	100

Note: Updates to 2004 of previous estimates for 1999 as presented in O'Mahony and de Boer (2002).

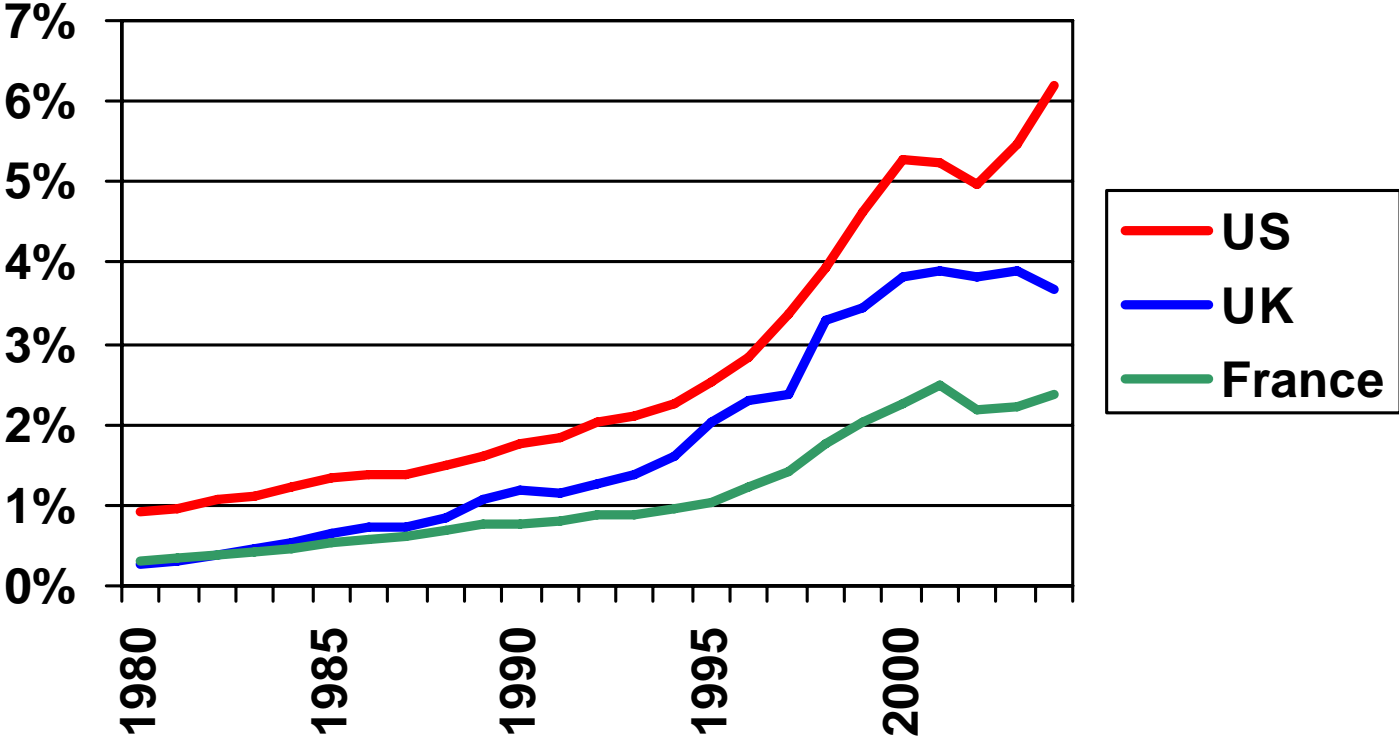
### III. Why Does Britain Disappoint?

#### Possible Answers

Only a matter of time? ICT investment boom lagged the US. But still waiting. And investment now lagging again.

# III. Why Does Britain Disappoint?

## Investment in ICT/GDP



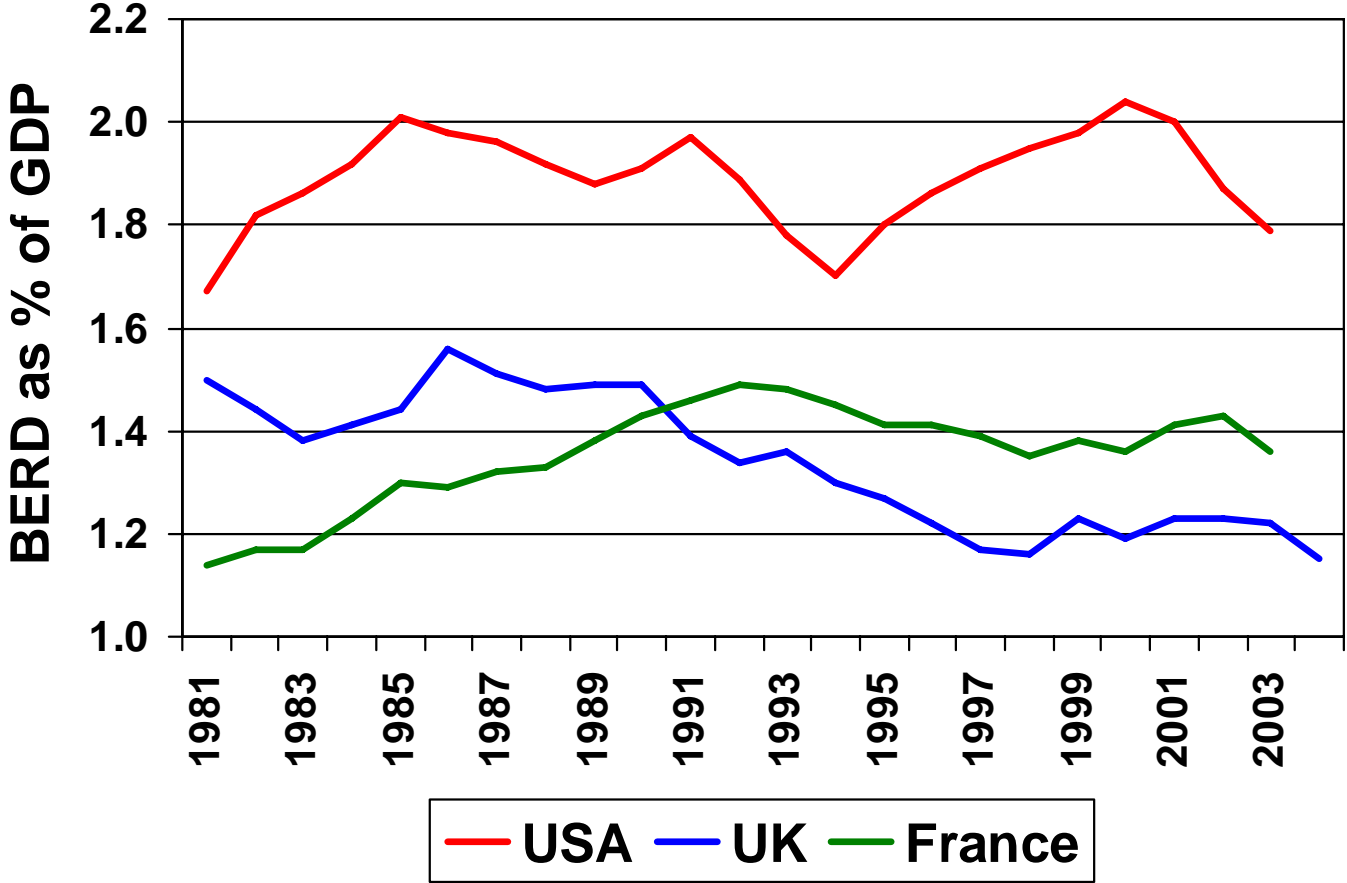
Gross fixed capital formation in software divided by GDP, both in 2000 prices  
Source: Timmer, Ypma and van Ark (2003), updated June 2005

### III. Why Does Britain Disappoint?

#### Possible Answers

- Only a matter of time.
- Decline in R&D – or home-based R&D.

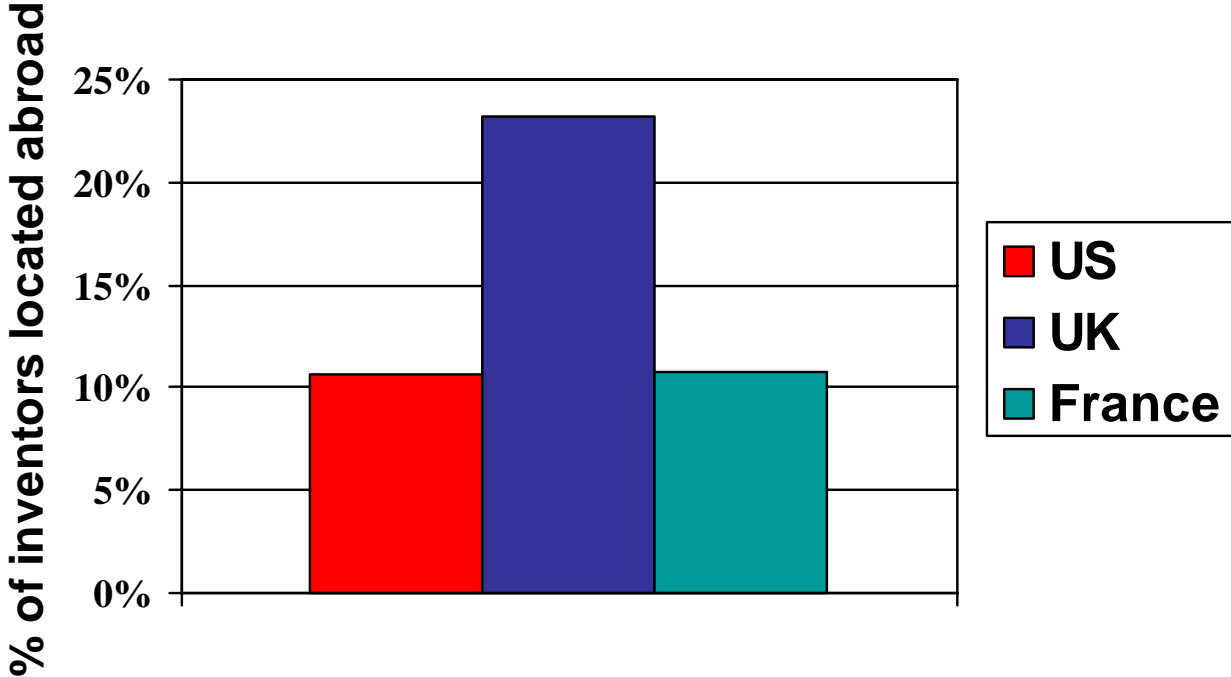
# III. Why Does Britain Disappoint?



Source: OECD

# III. Why Does Britain Disappoint?

% inventors located abroad, 1992-2001  
for firms in the pharmaceutical industry  
by location of firm



Source: Rachel Griffith, 2007.

*Note: average percentage inventors located abroad by location of corporate applicant, patents filed at EPO in pharmaceuticals and chemicals.*

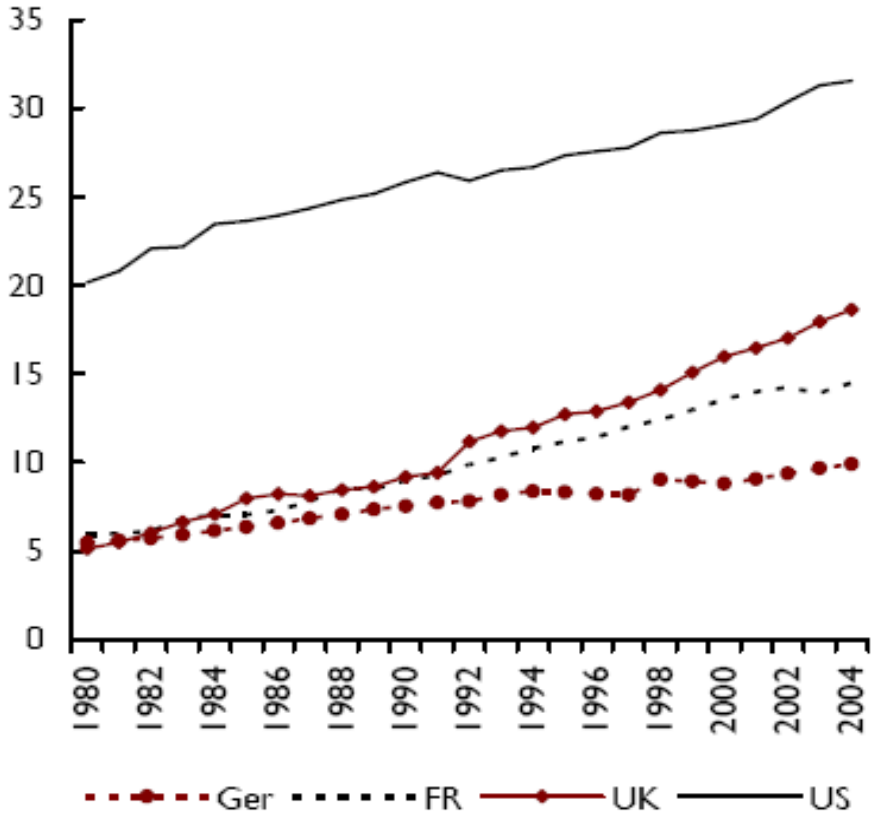
### III. Why Does Britain Disappoint?

#### Possible Answers

- Only a matter of time.
- Decline in R&D.
- Shortage of skills? Some reasons to be cheerful, but not enough.

# III. Why Does Britain Disappoint?

## % of graduates in total employment



Source: EU KLEMS.

### III. Why Does Britain Disappoint?

#### Possible Answers

- Only a matter of time.
- Decline in R&D.
- A shortage of skills.
- Management falls short?

Time to enter the black box.....