

<http://oe.cd/GFP>



2017
GFP
ACTIVITIES REPORT

GLOBAL FORUM ON PRODUCTIVITY

The logo features a blue globe icon to the left of the text 'OECD' in a bold, sans-serif font. Below 'OECD' is the tagline 'BETTER POLICIES FOR BETTER LIVES' in a smaller, all-caps font.

Message from the co-chairs of the Steering Group

Successful productivity-enhancing policies are essential to promote better lives for current and future generations, and to ensure healthy, stable societies. The purpose of the Global Forum on Productivity is to help governments design, communicate and implement such policies by acting as a clearing-house of ideas, analyses and best practices. Taking the right actions requires understanding the causes of the ongoing slowdown in productivity and the Global Forum on Productivity (GFP) has played an important role in combining efforts to uncover the structural and policy factors behind this slowdown.

Since the creation of the Forum in mid-2015 much has been done. During 2017, the GFP brought together senior policy makers and researchers to exchange views on the role of global value chains (Budapest conference) and digitalization (Berlin workshop) in boosting productivity growth. At the Budapest conference, the Forum discussed a wide range of studies on the links between global value chains (GVCs) and productivity, including insightful work mandated by the Forum itself. At the Berlin workshop researchers, experts from national authorities and the OECD discussed the opportunities, challenges and economic policy implications of digitization on productivity growth with regard to the role of knowledge-based capital and regulation. Similarly, in parallel with a forthcoming GFP-sponsored conference on finance and productivity organised jointly with the IMF and the BIS, the Forum is currently exploring how productivity is affected by unconventional monetary policy.

The wide range of participating countries and the high level of representation illustrate the interest in the Forum and countries' commitment to combine efforts to promote sustained productivity growth.

The GFP also strengthened its communication. In 2017, the Productivity Working Paper series released five new papers and the proceedings of the 2016 annual conference in Lisbon were published in a special edition of the International Productivity Monitor. The GFP website was further developed, increasing the number of downloads by 107%. These improvements have enhanced the visibility of the Forum and made GFP deliverables more accessible, allowing countries to build on the wealth of available research.

The current report presents these accomplishments. It proves the potential leading role of the GFP in bringing public bodies together and fostering the sharing of experiences in the area of productivity-enhancing policies.

Jenny Bates

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Stefan Profit

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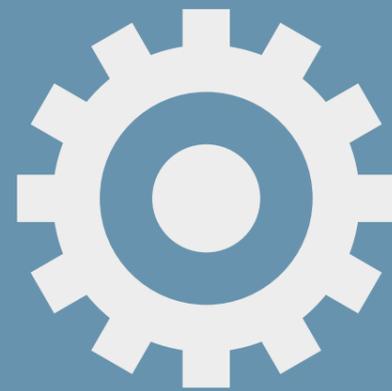
What's the GFP?

The Global Forum on Productivity (GFP) was created in mid-2015 from an initiative of the Economic Policy Committee (EPC), the Committee on Industry Innovation and Entrepreneurship (CIIE) and the Economic Development Review Committee (EDRC). As a forum for mutual exchange of information, the GFP enables policy-makers to share experiences of productivity-enhancing policies. Through its activities, the GFP gives public bodies the opportunity to discuss their views on best practices and institutional set-ups, share data and knowledge and undertake joint policy analysis.

Through this concerted mission to foster international collaboration, the GFP offers a better understanding of the structural and policy factors that drive productivity outcomes and helps to improve the design of institutions seeking higher productivity.

The activities of the GFP draw upon, complement and enhance work already designated within the work programme of Committees such as the Economic Policy Committee (EPC) – Working Party No. 1 (WP1) – and the Committee on Industry, Innovation and Entrepreneurship (CIIE) – Working Party of Industry Analysis (WPIA). Through this concerted mission to foster international collaboration, the GFP offers a better understanding of the structural and policy factors that drive productivity outcomes and helps to improve the design of institutions seeking higher productivity.

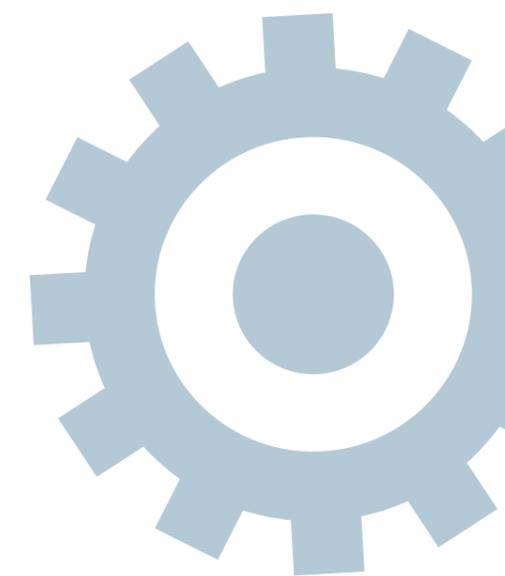
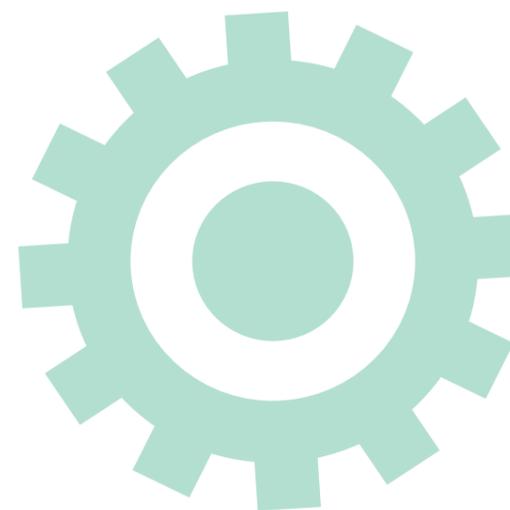
This second Annual Activities Report summarises the work carried out by the GFP over 2017. This report is presented in three sections according to the GFP activities' structure: (i) policy analysis, (ii) convening and (iii) communication.



Who ran the GFP in 2017?

The activities of the GFP are guided by its Steering Group, whose members decide the programme of work, the allocation of available funds to the three main GFP activities – analysis, convening and communication – and the timing, location and topics of meetings. In 2017, the Steering Group was composed of different public bodies from 18 countries: three new members - Costa Rica, Hungary and Ireland – and the following already members: Australia, Belgium, Canada, Denmark, France, Germany, Israel, Italy, Japan, New Zealand, Norway, Portugal, Spain, Sweden and the United Kingdom.

Participation in the Steering Group entails (i) commitment to contribute to the GFP through an offer letter, (ii) attendance either in person or via teleconference to Steering Group meetings that are held three times a year and guide the work of the GFP, and (iii) participation in the Clearspace community that is accessible only to Steering Group members.



Who are the co-chairs of the Steering Group?

Steering Group members appoint on a yearly basis co-chairs to coordinate the activities of the Forum. At its meeting of 15 November 2016, the Steering Group elected its co-chairs for 2017, namely Jenny Bates (United Kingdom), Stefan Profit (Germany), Ana Gouveia (Portugal) and Juan Rebolledo (Mexico) who in April 2017 stepped down as co-chair of the Steering Group due to a new position at the Finance Ministry of Mexico.

Jenny Bates is the Chief Economist and Director of Analysis at the Department for Business, Energy and Industrial Strategy (BEIS). She leads the department's analysis of the UK economy and future economic challenges, with a particular focus on industrial strategy, the implications of Brexit and low carbon energy supply. Jenny holds a Master in International Relations from the Johns Hopkins University.

Stefan Profit is the Deputy Director-General at the German Federal Ministry for Economic Affairs and Energy. His directorate deals with macroeconomic developments, economic analyses and projections. Before assuming this position, he was in charge of a unit focusing on the empirical research in the field of inclusive growth, productivity and investment, as well as assessing growth and distributional effects of structural reforms. Stefan has an academic background in labour economics and holds a Ph.D. in Economics from Humboldt University Berlin.

Ana Gouveia is the Director of the Research, Analysis and Forecasting Department at the Portuguese Ministry of Finance. She conducts research on topics related to productivity growth and structural reforms. Ana is also a guest lecturer of public economics at Nova School of Business and Economics. Her career history includes working at the Portuguese Ministry for the Economy, the European Central Bank and the Portuguese Central Bank. She holds a Ph.D. in Economics from Nova School of Business and Economics.

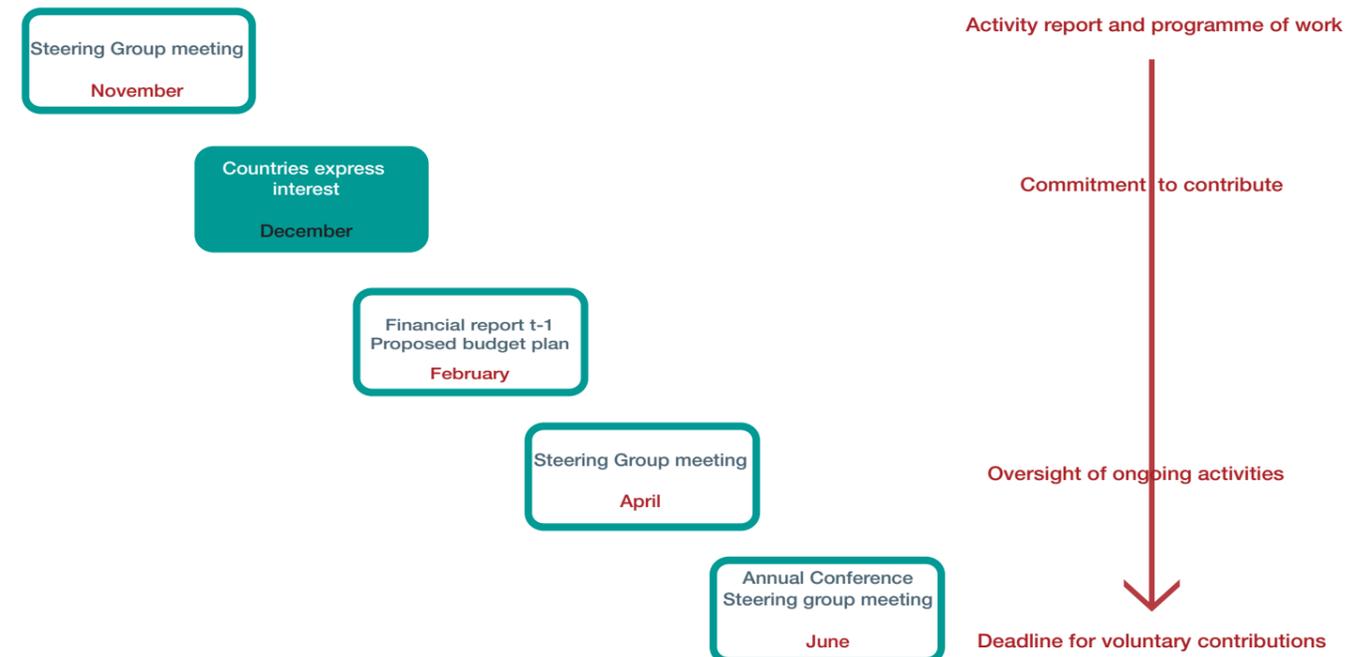


How is the GFP funded?

The GFP is funded by its Steering Group members through minimum voluntary contributions of € 25k per annum. This budget covers the following costs: (i) the policy research agenda elaborated according to the preferences of the Steering Group (SG), (ii) the management of the network and the organization of events, and (iii) the communication and dissemination of the activities of the Forum. Each year a hosting country organises and funds the annual conference of the GFP.

In 2017, in view of improving the financial stability of the Forum and enhancing the coherence and continuity of its programme of work, it was proposed to organise the work around a multi-year programme

supported by a multi-year budget plan. This multi-year programme and plan would be presented at the last SG meeting of the year. On this basis, participants are invited to express their interest in renewing their financial commitment to the Forum, for one or several years, by the end of the year. A full financial report for the previous period and a final budget for the ongoing year is then delivered in February and discussed at the spring SG meeting. Voluntary contributions are expected by beginning of June. The final content and timeline of the work programme depend on the resources made available by SG members.



Analysis



The analytical function helps to spur and implement collaborative research (either at the OECD or in participating countries or jointly) on productivity along the programme of work established by the GFP Steering Group. The GFP explores topics that are complementary to the existing OECD Committee work programme and correspond to the priorities identified by Steering Group members.

In 2017...

The changing structure of GVCs: Are hubs central for productivity?

This research question was part of the motivations behind the GFP 2017 Annual Conference in Budapest. The results of this work were broad and will be published as two Productivity Working Papers:

“GVCs and centrality: Mapping key hubs, spokes and the periphery”

This paper uses “centrality” metrics to reflect changes in the structure of GVCs, identifying central hubs and peripheral countries and sectors. Whilst some activities remain clustered around the same key hubs as at the start of the period (e.g. motor vehicles), for others there have been dramatic changes in the geography of activity (e.g. IT manufacturing), whereas other activities have become more influential for value chains almost universally (e.g. IT services). Several emerging economies have become more central to global production networks, and the growing importance of E. European economies coincides with the timing of their EU accession.

“GVC centrality and productivity: Are hubs key to firm performance?”

This paper finds that the changing structure of GVCs can play a role in the catch-up of firms, but the impacts are heterogeneous across firms and countries. Both centrality and being connected to more productive foreign buyers/sellers matter for the productivity growth of non-frontier or smaller firms, but these correlations weaken with firm size and proximity to the frontier. The policy environment, such as flexible labour markets, better access to finance, fewer barriers to entrepreneurship, stronger contract enforcement and simplified export procedures, appears to be important in translating the changing structure of GVCs into productivity growth.

Exploring the links between finance and productivity

This line of activity is in progress and consists of both GFP research and contributions by other researchers to GFP sponsored conference on 10-11 January 2018 organised jointly with the IMF and the BIS on the topic “Weak productivity: the role of financial factors and policies”. GFP research focuses on:

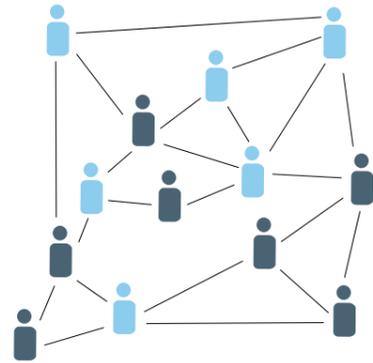
“Monetary policy and productivity: evidence on the risk-seeking channel from US high-yield bond markets”

This paper examines the relationship between lax monetary policy, access to high-yield bond markets and productivity in the US. It conjectures that through the risk-taking channel, expansionary monetary policy has increased investors’ appetite for US high-yield corporate bonds, thereby facilitating access to high-yield bond markets for firms with low credit ratings. Since the relationship between low credit ratings and firm-level productivity tends to be U-shaped, the aggregate effect on productivity is a priori unclear.

To examine the productivity effects, a two-step empirical approach is followed. First, using monetary policy surprises, obtained from changes in interest rates futures in a narrow window around FOMC announcements, the change in the access to high-yield bond markets due to lax monetary policy is isolated. In a second step, the effects of this change on the reallocation of resources are analysed in order to see whether more productive firms attracted more resources.



Convening

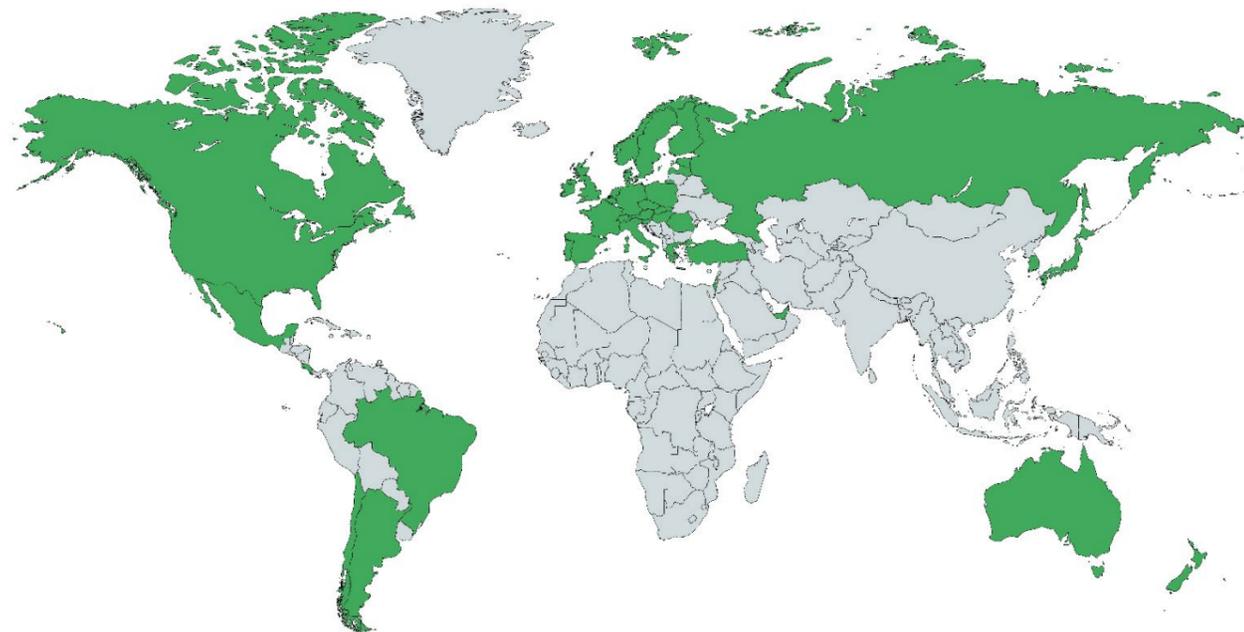


The convening function consists of organising conferences, thematic workshops and events during which policymakers, academics and senior officials can exchange findings, ideas and best practices in the area of productivity (e.g. Annual Conference, Regional Conferences and Workshops). The purpose of these meetings is also to gain exposure to and discuss the state of academic research on a certain topic. These events are organised and hosted by one of the Steering Group members with the help of the GFP team.

In 2017, the GFP annual conference was hosted by the **Hungarian Ministry for National Economy** and a workshop was organized by the **German Federal Ministry for Economic Affairs and Energy**. These events saw high-level representation, strong attendance and lively discussion, with 39 countries represented overall.

The Forum is currently preparing a **forthcoming GFP-sponsored conference on finance and productivity** organised jointly with the IMF and the BIS. This event will take place on 11 January 2018 at the OECD Headquarters.

Countries that attended GFP events in 2017



Any maps included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.



Family picture, Budapest 2017

GFP 2017 Conference in Budapest

"There remains much to learn about the relationship of global value chains to firm-level and aggregate productivity and the quantitative impact on productivity of policies that restrict trade and/or investment. More work is needed in these areas, and we will certainly do our bit."
 OECD Secretary-General, Angel Gurría

Over 180 participants from 36 countries were represented at the annual conference. This included 30 of the 35 OECD member countries, and Costa Rica (in accession), Brazil, the Russian Federation, Barbados, Romania and the United Arab Emirates.

value chains and productivity-enhancing policies". In particular: the links between GVCs and productivity; the integration of SMEs into GVCs; achieving the upgrading potential and knowledge spillovers from multi-national enterprises (MNEs); better distributing the gains from participating in GVCs

The conference addressed some of the leading questions related to the theme **"Openness, global**

Three key outcomes emerged. First, appropriate product and labour market policies are necessary to maximise the overall benefits of economic openness while minimising the undesirable negative effects in terms of localised job losses in manufacturing and regions left behind. Second, to reap the full productivity benefits of GVCs policymakers need to look at the whole business environment, including skills, innovation, services and social systems.

Thirdly, the conference also gave insights on the impact of the changing structure of GVCs on trade. The structure of GVCs matters for productivity, for example in terms of reallocation effects (i.e. sourcing of cheaper inputs) and innovation effects (i.e. technology spillovers). Disruptive technologies may lead to further reorganisation of GVCs in the future.



“Productivity is really the essence that drives each generation becoming better off than their forebears”

Gemma Tetlow, Financial Times



Are you a “Techno-Optimist” or a “Techno-Pessimist”?

© BMWi, Anja Blumentritt

GFP 2017 Workshop in Berlin

Key points from the parallel sessions and overall take-home messages



Philipp Steinberg @pm_steinberg · 15 sept.

Once again: Trying to solve the #ProductivityParadox @BMWi_Bund @OECD #GFP. #Disruption, Or #Evolution? Just a matter of Time?

This workshop co-organized by the GFP and the German Federal Ministry for Economic Affairs and Energy (BMWi) assembled over 60 participants from 16 countries. This included 15 OECD member countries and Argentina. The event explored ways of “**Tapping the productive potential of a digitized world**”.

The discussion focused on the determinants, measurement and role of knowledge based capital; the links between labour market, capital intensity and productivity; and the role of regulation in enabling the benefits of digitalization.



Three key insights emerged from the discussion. First, the new digital economy is familiar to consumers but has not yet translated fully into visible productivity gains because firms take more time to incorporate new technologies (mobile technologies, CRM, cloud services, etc.) in their activities. Second, digitization and the emergence of the platform economy have caused changes in market structure and competitive forces, with an increasing trend towards greater concentration

and “winner-takes-all” mechanisms in the digital business. Lastly, the successful transition into a digital society and economy relies on a regulatory framework that fosters innovation on the one hand and protects consumer rights on the other hand. In this context, it is essential to promote a close dialogue between innovators, incumbents and regulators.



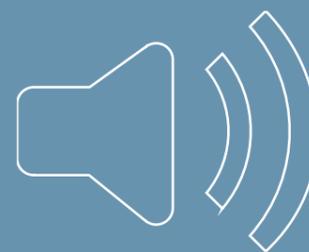
“This was probably the best workshop we had at the BMWi”

Stefan Profit - Deputy Director General at the BMWi



“The digital transformation requires that governments are pro-active and do some forward planning. It’s about the people themselves, about human capital, and equipping people with the necessary skills and an ability to upgrade quickly.”

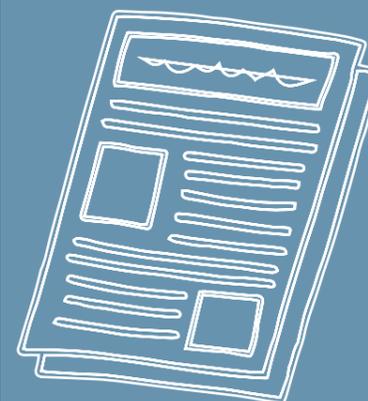
Andrew Wyckoff - Director, STI, OECD



The GFP in the spotlight

Over 2017 the work of the GFP has inspired several interventions...

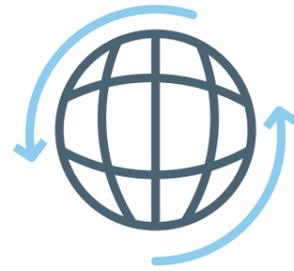
- The Hackermoon blog by Erik P.M. Vermeulen (17 September 2017)
“Co-Creating” an Automated Future Together
- The Economist blog by Buttonwood (19 January 2017)
Industrial policies mean cossetting losers as well as picking winners
- The Economist blog by Buttonwood (11 January 2017)
The curious case of missing global productivity growth
- Speech given by Andrew G Haldane, Chief Economist, Bank of England (2 December 2016)
One car, two car, red car, blue car
- Lectio magistralis by Mario Draghi, President of the ECB, marking the 100th anniversary of the Deusto Business School (30 November 2016)
The productivity challenge for Europe
- The Economist by Schumpeter (12 November 2016)
The great divergence



“The challenge going forward is to enact reforms that will boost productivity, to improve on today’s strong performance and ensure that future generations also share in the prosperity.”

Catherine L. Mann - Chief Economist, OECD





Communication

The communication function consists of disseminating information and findings about productivity via presentations in countries, the website, a productivity working paper series as well as other publications and facilitate exchanges among countries on productivity issues (e.g. via a dedicated online Clearspace Community).



Publications 2017

The GFP website

Compare your country

This tool allows users to compare different productivity indicators among countries. It now contains indicators within four different topics: **labour productivity, knowledge creation, diffusion and reallocation**. Data featured in this section is updated periodically.

Access the compare your country tool

Country profiles

Country information at a glance on (i) the latest OECD policy recommendations to support productivity and innovation, (ii) a snapshot of where countries stand in terms of productivity and other indicators, (iii) the names of the national institutions that promote productivity and (iv) key publications.

Access the country profiles



New GFP flyer available on the GFP website

OECD Productivity Working Papers

- **What Makes Cities More Productive? Agglomeration economies and the role of urban governance: Evidence from 5 OECD Countries** by Ahrend, R., E. Farchy, I. Kaplanis, and A. C. Lembcke.
- **Pro-Productivity Institutions: Learning from National Experience** by Renda, A., and S. Dougherty.
- **The impact of structural reforms on productivity. The role of the distance to the technological frontier** by Gouveia, A. F., S. Santos and I. Gonçalves.
- **Product markets' deregulation: a more productive, more efficient and more resilient economy?** by Monteiro, G., A. F. Gouveia and S. Santos.
- **Achieving New Zealand's productivity potential** by Conway, P.

Access the working paper series

International Productivity Monitor

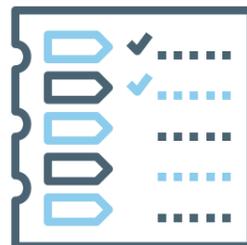
This initiative between the GFP team and the editors of the International Productivity Monitor follows the demand of the founding committees that GFP deliverables (research, conferences, etc.) should be widely diffused and accessible to all OECD members and partners. The Spring 2017 issue of the International Productivity Monitor (IPM) includes a series of 11 papers which were discussed at the 2016 GFP Annual Conference in Lisbon.

Access the IPM Special Edition

DID YOU KNOW?

The number of downloads of content on the GFP website increased by 107% between 2016 and 2017.

Summary of GFP activities



Analytical activities

2016

- “The global productivity slowdown, technology divergence and public policy”
- “The relationship between GVCs and productivity”
- “Pro-productivity institutions: Learning from national experience”
- “A framework for diagnosing productivity problems”

2017

- “GVCs and centrality: Mapping key hubs, spokes and the periphery”
- “GVC centrality and productivity: Are hubs key to firm performance?”
- “Monetary policy and productivity: evidence on the risk-seeking channel from US high-yield bond markets” (work in progress)

Convening activities

2016

- Lisbon conference
- London workshop
- Latin American Ministerial Summit

2017

- Budapest conference
- Berlin workshop
- Organisation of BIS-IMF-OECD conference (January 2018)

Communication activities

2016

- Launch of the GFP website
- 2 Productivity Working Papers

2017

- Compare Your Country Tool
- Country profiles
- Improvement of the GFP digital presence
- 5 Productivity Working Papers
- IPM special edition

The GFP 2018 work programme



Analysis

M&A, concentration and productivity

Recent OECD research has documented declining dynamism of new entrants and widening divergence in productivity and wages between top-performing digital firms and the rest (Andrews, Criscuolo, and Gal, 2016), and there are strong (although so far mainly anecdotal) indications that digital sectors are increasingly dominated by a small number of players. These trends could be related to a concurrent increase in the merger and acquisition (M&A) activity. The proposed research area aims to examine the relationship between the observed M&A trends and the signs of increasing concentration, such as growing mark-ups or industry concentration measures. National competition policy is often focussed towards the M&As of large incumbents operating in the same industry. But there is anecdotal evidence of large multinational digital firms increasingly acquiring innovative startups across many countries who could otherwise grow into future competitors, of smaller startups beneath reporting thresholds, and of using acquisitions as a way to expand into new areas, leveraging data gathered in one market to obtain market power in another. Understanding factors behind the M&As in the digital sectors will inform decisions about whether and which responses are needed in the areas of competition policy and innovation policy. In addition, given the important cross-border dimension of M&As, it will highlight areas for potential policy coordination across jurisdictions.

GVC hubs and innovation

How does openness affect firm innovation activity? Innovation is one of the key determinants of long-run productivity growth. Firms in central hubs are likely to be connected to broader range of foreign knowledge, which may affect the type (e.g. novelty/quality) and location of patenting activities undertaken by these firms compared to firms in more peripheral sectors. Matched ORBIS-Patstat data could be used to examine how the changing position within GVCs (captured by TIVA centrality data) impacts the innovative activities of firms and whether these changes are concentrated in the most innovative or productive firms and countries, or are more broadly distributed.

Convening

10-11 January 2018, Paris, OECD

BIS-IMF-GFP joint conference on “Weak productivity: The role of financial factors and policies”

18 April 2018, San Jose, Costa Rica

Ministry of Foreign Trade of Costa Rica-GFP- World Bank joint Ministerial Summit on “Regional trade integration and productivity”

28-29 June 2018, Ottawa, Canada

3rd GFP Annual Conference on “Firms, workers and disruptive technologies: Ensuring sustainable and inclusive growth”

Fall 2018 - (To be confirmed)

3rd GFP Workshop

Communication

Development and dissemination of a GFP Newsletter

Development and maintenance of the GFP website:

- Country profiles
- Productivity library
- Compare Your Country tool
- Conference/workshops webpages (background materials, presentations, social media campaigns etc.)

OECD Productivity Working Paper Series

The GFP Team



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