



Understanding regional productivity

Professor Nigel Driffield, Theme Lead Organizational Capital
University of Warwick



Economic
and Social
Research Council



GLOBAL RESEARCH PRIORITIES
PRODUCTIVITY AND THE
FUTURES OF WORK

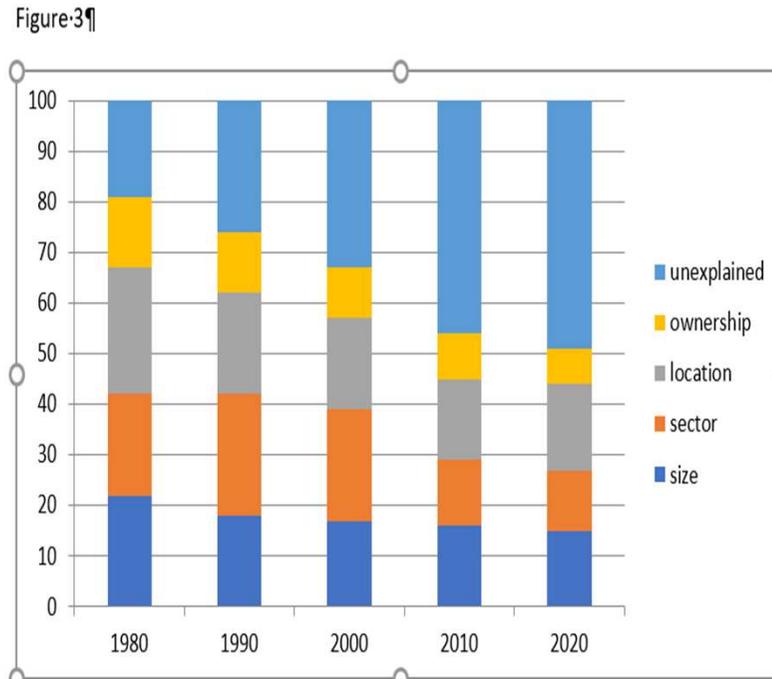
Understanding regional productivity (productivity isn't everything but in the long run its almost everything)

Professor Nigel Driffield, Theme Lead Organizational Capital
University of Warwick



The puzzle ?

- Traditionally a very high proportion of the variance in firm level productivity could be explained by just 4 variables
 1. Size
 2. Location
 3. Sector
 4. Foreign ownership
- OECD data, across all OECD regions and sectors however reveal that this is breaking down:

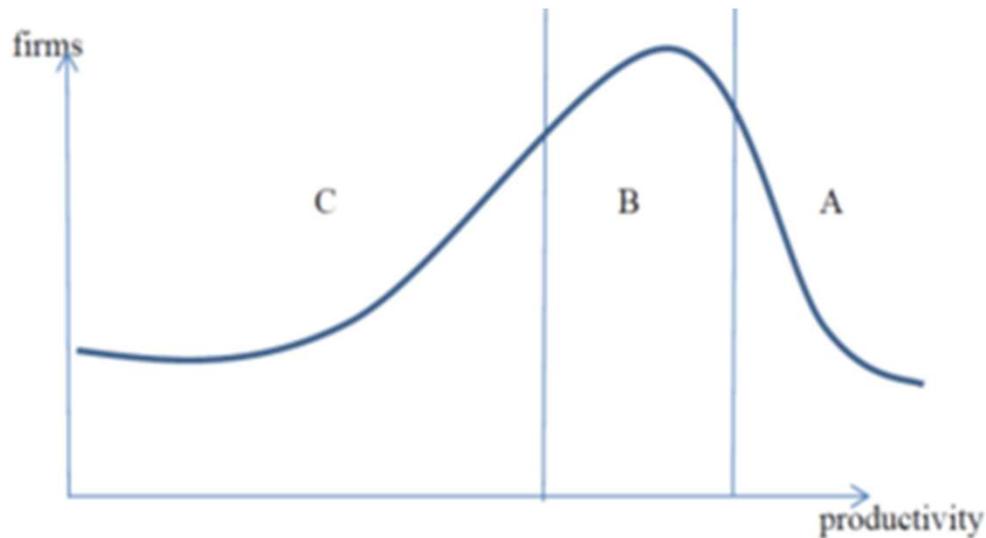


What may be causing “low productivity” ?

(in no particular order)

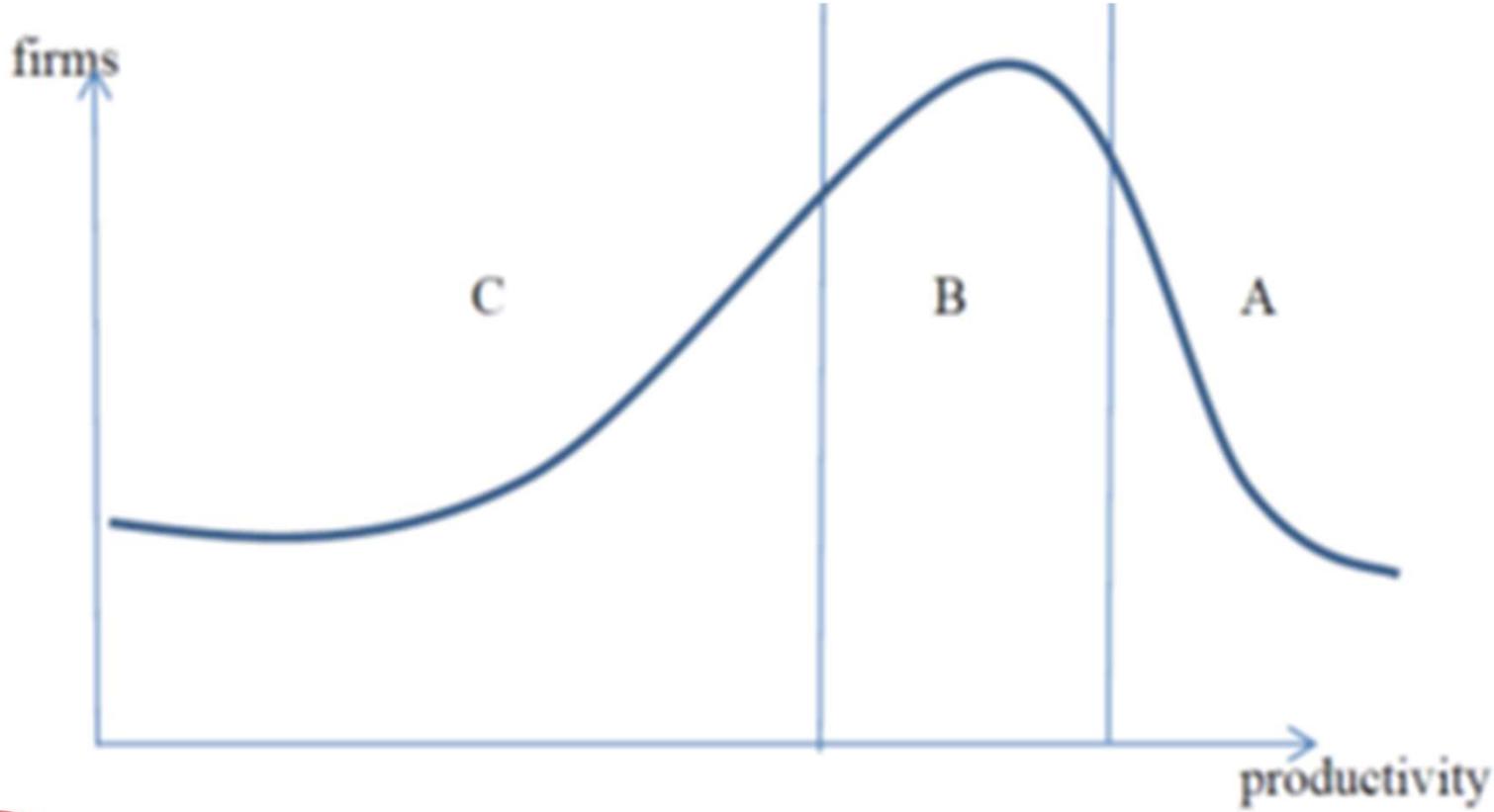
- Low innovation
- Low levels of training
- Labour market policies
- Fragmented supply chains
- Access to finance for high growth firms / exporters
- Land use / planning
- “Price effects”
- Connectivity

What we face



- Sector A – attract more such firms, tax incentives for innovation investment for example.
- Sector B – seek to encourage such firms to move to sector A, encourage innovation, and encourage them to locate more high tech activity. Another focus on this group could be on managerial capacity, training for managers in the commercialization of intellectual property, or in the management of innovation for example.
- Sector C. the focus here may be on skills and training, but also on labour market policies to encourage workers to invest in their human capital, by emphasizing the returns. Alternatively the focus may be on knowledge transfer from segments A and B to segment C.

No one size fits all



Productivity as an aggregate construct

- Standard measures of productivity were developed at a time when one simply measured things in terms of production
- We need to start thinking of productivity not as an activity in isolation.
 - Whether that is in terms of parts of a value chain ...
 - ... or services that free up time.
- For example, the social care provided to dependents of the well paid, facilitate the well paid to go to work – should therefore the “productivity” of that care be valued at more than minimum wage....



GLOBAL RESEARCH PRIORITIES
PRODUCTIVITY AND THE
FUTURES OF WORK

Is “Low Productivity” always a problem ?

Standard measures of productivity were developed at a time when one simply measured things in terms of production – how much work a person did in an hour, allowing for differences in the value of inputs.

As the economy has evolved in many cases these have become subsumed into labour market measures “that job does not pay much therefore is low skill and low productivity”.

Equally, just because a large firm can push the prices of its suppliers down, does not mean that they are “low value activities”