

Productivity – questions and answers

Purpose: To illustrate some of the questions that productivity measures can help answer, and to provide examples of how these measures have been used in practice.

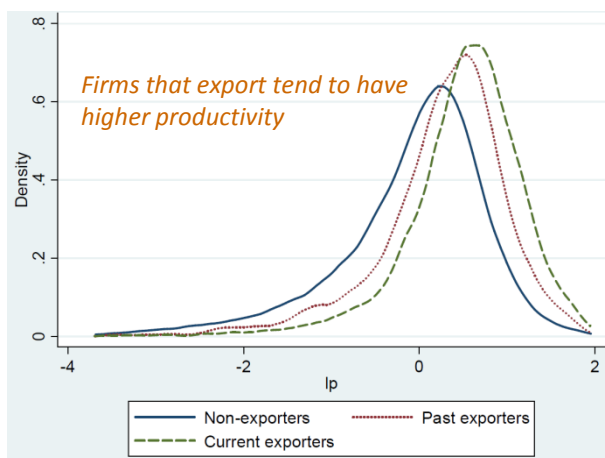
Conclusions: Productivity measures can help answer a range of questions. Selecting the ‘right’ measure depends on the purpose of measurement. New Zealand’s productivity performance has historically been poor compared with other countries.

What drives productivity?

Questions include:

- What factors internal to the firm (eg management practices, R&D) drive productivity performance?
- What factors external to the firm (eg the competitive environment) drive productivity performance?
- What difference has a policy made on productivity?

How does exporting relate to New Zealand firms’ productivity performance?



Source: Fabling, R. and L. Sanderson (2013), *Exporting and performance: Market entry, investment and expansion*.

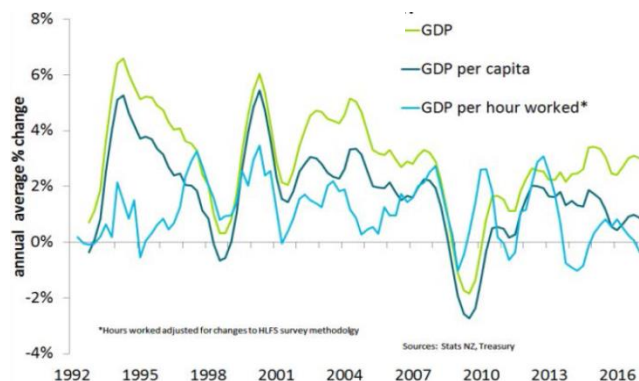
How are we performing?

Questions include:

- How is the economy tracking?
- How does New Zealand compare with other countries?
- Which industries are performing well?

How is the New Zealand economy tracking in terms of our productivity performance?

Much of recent GDP growth in New Zealand has come from population growth rather than productivity growth



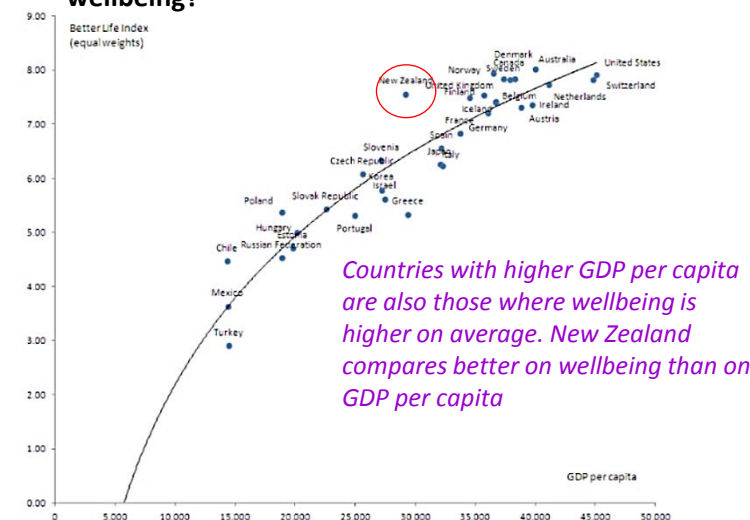
Source: MBIE (2017), *Macro meets micro: Quarterly Economic Update – August 2017*.

What are the outcomes from productivity?

Questions include:

- What contribution does productivity make to growth?
- What is the relationship between productivity and wellbeing, wages etc?

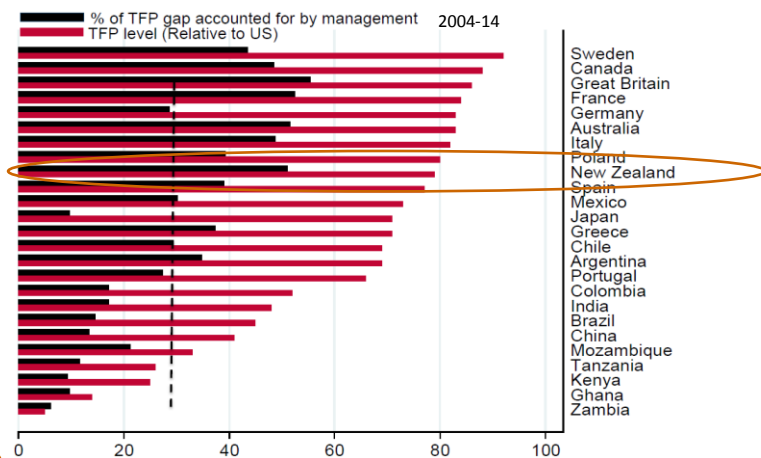
What is the relationship between productivity and wellbeing?



Source: Boarini, R. (2012), *Well-being and GDP: why we need them both*.

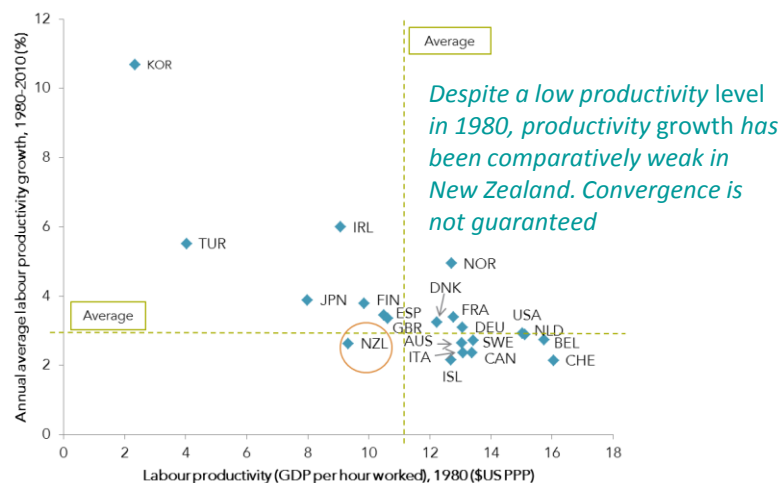
What effect do management practices have on firms’ productivity performance?

Based on the authors’ model, management practices explain about half the productivity gap between New Zealand and the US



Source: Bloom, N., R. Sadun and J. Van Reenen (2016), *Management as a Technology?*

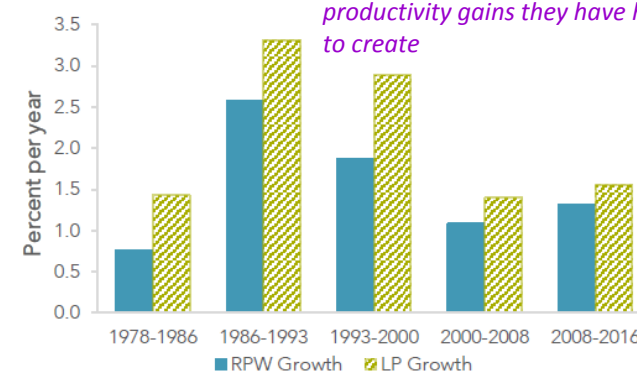
How does New Zealand’s productivity performance compare?



Source: Conway, P. and L. Meehan (2013), *Productivity by the numbers: The New Zealand experience*.

What is the relationship between productivity growth and wage growth in New Zealand?

New Zealand workers have shared substantially (but not fully) in the productivity gains they have helped to create



RPW = real product wage growth. LP = labour productivity growth

Source: Fraser, H. (2018), *The Labour Income Share in New Zealand: An Update*.