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 are we performing?
Questions include:
• How is the economy tracking?
• How does New Zealand compare with other countries?
• Which industries are performing well?

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?
Countries with higher GDP per capita are also those where wellbeing is higher on average. New Zealand compares better on wellbeing than on GDP per capta.

How does exporting relate to New Zealand firms’ productivity performance?
Firms that export tend to have higher productivity.

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.

How does New Zealand’s productivity performance compare?
Despite a low productivity level in 1980, productivity growth has been comparatively weak in New Zealand. Convergence is not guaranteed.


Source: Bloom, N., R. Sadun and J. Van Reenen (2016), Management as a Technology? 2004–14

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


NOT GOVERNMENT POLICY