

# PRODUCTIVITY SLOWDOWN: POTENTIAL POLICY RESPONSES



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# Productivity slowdown: potential policy responses



**1** Causes of the slowdown

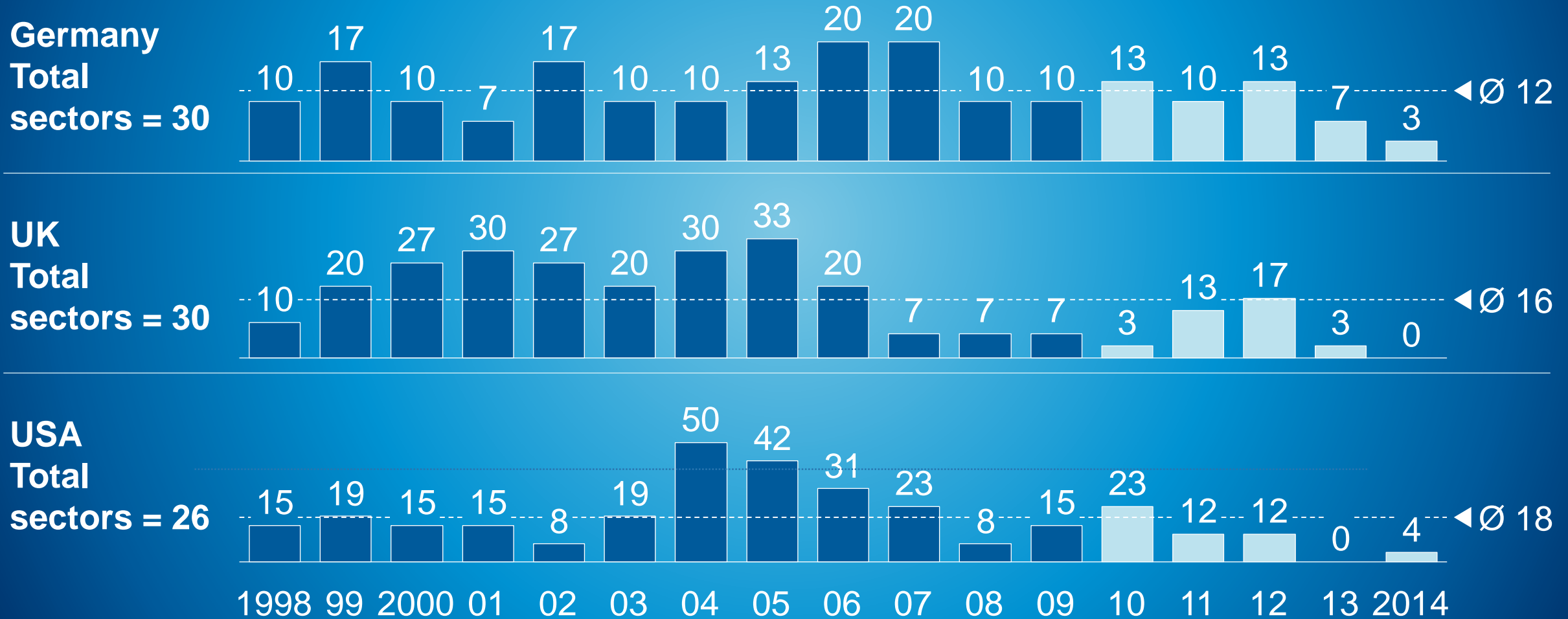
**2** Future challenges

**3** Policy implications

**4** Ideas and experiments

# The number of fast-growing sectors has declined

“Jumping” sectors, % of total number

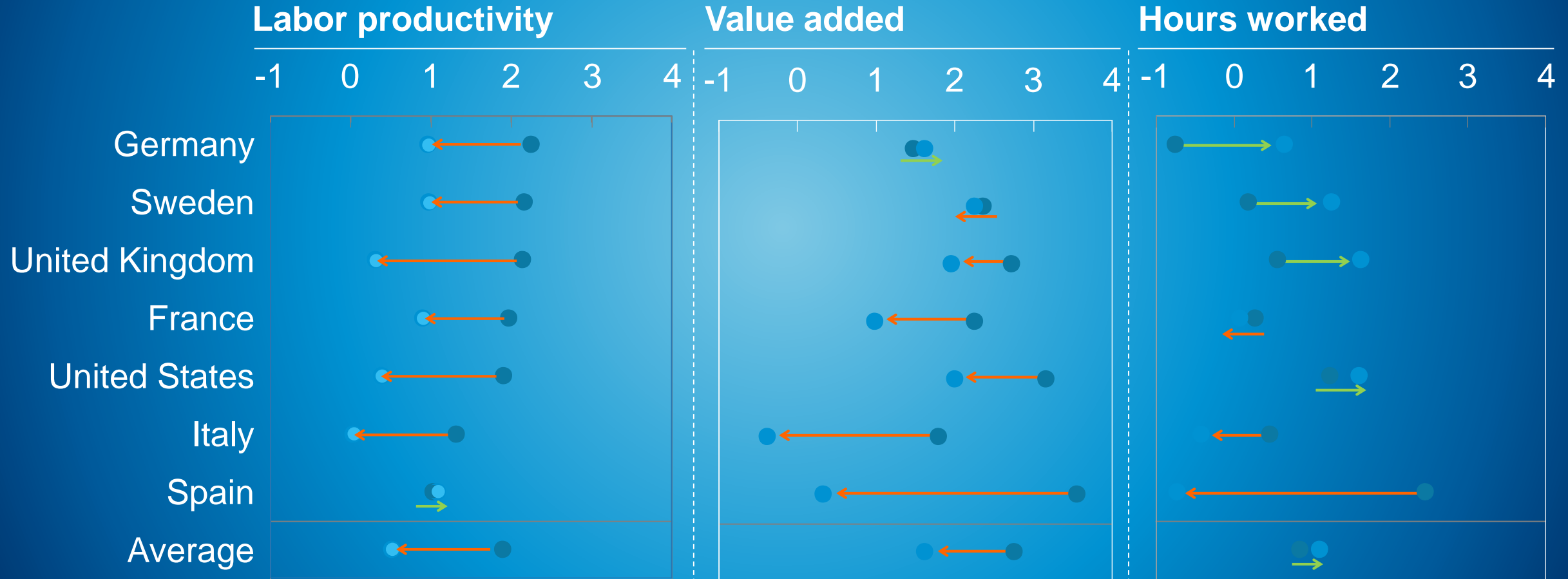




# Most countries saw a job-rich post-crisis recovery








## Compound annual growth rate, %

● 1985–2005  
● 2010–16



# Declines in capital intensity and TFP growth drove the slowdown in labour productivity growth

Contribution to the decline in labor productivity growth, 2010–14 vs. 2000–04, %-points

Labor productivity growth, 2000–04 (%)	 1.5	 1.7	 0.0	 3.6	 2.3
Change in capital intensity growth	 -0.9	 -0.7	 -0.2	 -1.5	 -0.5
Change in labor quality growth	 0.2	 -0.4	 0.0	 -0.2	 -0.5
Change in total factor productivity growth	 0.2	 0.5	 0.8	 -2.3	 -1.2
Change in sector mix shift	 0.1	 -0.1	 0.0	 0.2	 -0.4
2010–14 (%)	1.0	0.9	0.6	-0.2	-0.2

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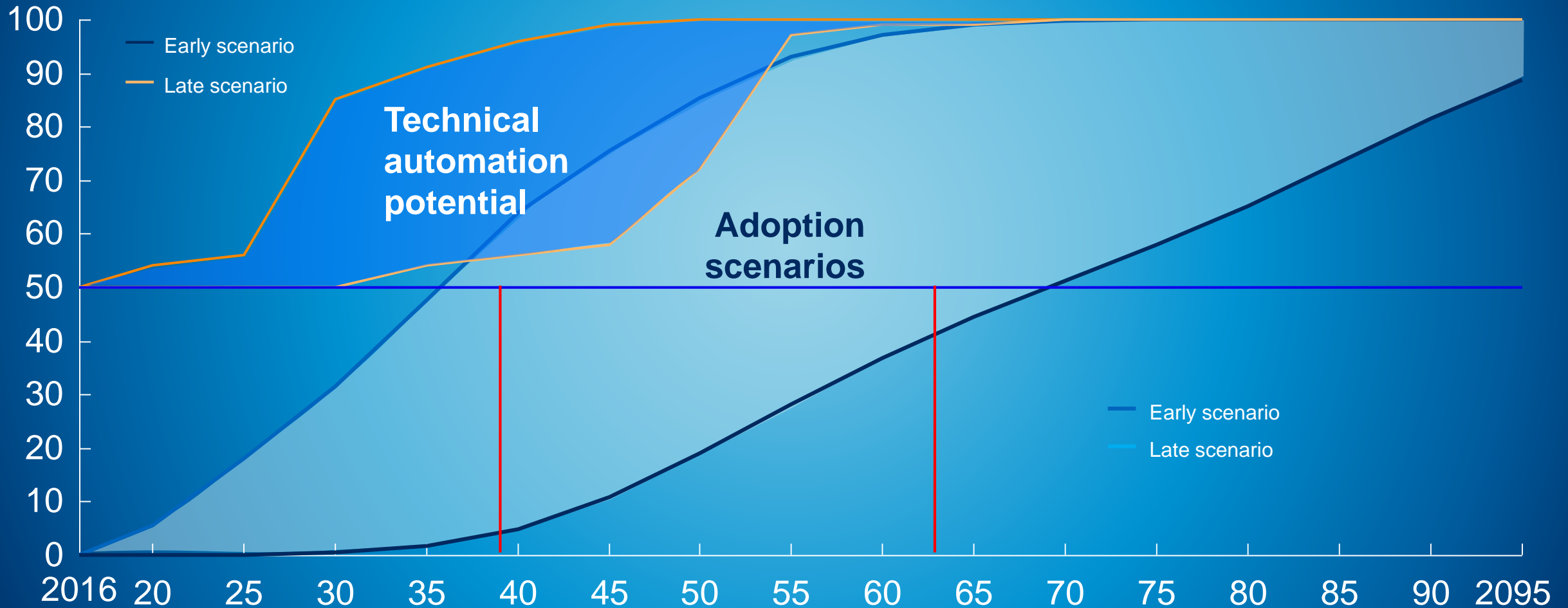
**AI is the new electricity.**

**Andrew Ng**

**Adjunct Professor, Stanford University  
Co-founder and Chairman, Coursera  
Former Chief Scientist, Baidu**

# Technical potential is not the same as adoption

Time spent on current work activities<sup>1</sup>, %



<sup>1</sup> Forty-six countries used in this calculation, representing about 80% of global labor force.



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# To unleash future productivity growth potential, governments (and businesses) need to focus on 4 areas

1



**Demand**

2



**Diversity**

3



**Digitalization**

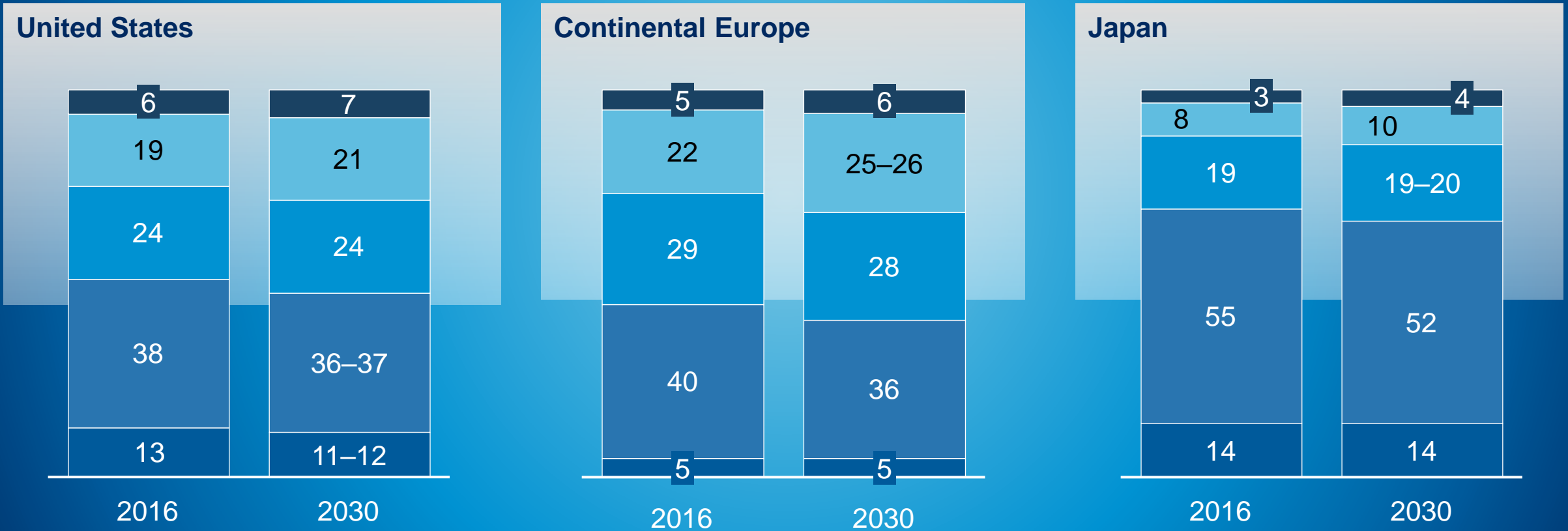
4



**Diffusion**

# More jobs will require college and advanced degrees

## Skill requirements, 2016 and 2030, and change % of sized labor demand



NOTE: Only includes the sized labor demand (e.g., the creation of new occupations is not included). Some occupational data projected into 2016 baseline from latest available 2014 data. Numbers may not sum due to rounding.

SOURCE: US Bureau of Labor Statistics; McKinsey Global Institute analysis



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# Governments around the world are experimenting with new approaches to boosting productivity



United Kingdom



**Be the Business:** Private-sector led charity to accelerate diffusion of management best practice; initiatives include on-line benchmarking tool, productivity academy, mentoring programme



Singapore *SKILLSfuture* SG

**SkillsFuture:** Works with industry associations and government bodies to identify future skill requirements and provides on-going career guidance and high-quality training to workers.



Germany



**Digitisation and Innovation Loan:** KfW funding to invest in new technologies, even for businesses with weaker credit ratings



Denmark



**Flexicurity:** Incentivises continuous learning and retraining to prepare for digitisation and automation; spends an estimated 1.5% of GDP on offering guidance, a job, or education to all unemployed



Australia



**Slingshot:** Accelerator programmes that connect established corporations with disruptive start-ups for mutual benefit