Labour Productivity

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✓ Starting point:

a) Very large and persistent productivity differences across firms, even in narrowly defined sectors

Examples:

- US manufacturing industry: the plant at the 90th percentile of the productivity distribution produces ceteris paribus (i.e. with the same observed inputs) almost twice the output of the 10th percentile plant (Syverson, 2004).

- Danish manufacturing and services industries: for the same inputs, a firm at the 90th percentile of the productivity distribution makes 3.27 as much output as the 10th percentile firm (Fox and Smeets, 2011).

- Productivity differences among plants appear to be even more pronounced in developing countries, e.g. average 90-10 productivity ratios estimated above 5 in China and India (Hsieh and Klenow, 2009).
b) Other robust findings (almost invariant across countries, industries and time):

- High-productivity firms are more likely to survive than their less efficient counterparts.

⇒ “Productivity is quite literally a matter of survival for businesses” (Syverson, 2011)

“Productivity isn’t everything, but in the long run it’s almost everything” (Krugman, 2008)

“While the contribution of productivity to economic growth in the short term may seem relatively small, the cumulative effects of changes in productivity are the sole sustainable source of long-term growth” (Dhyne and Fuss, 2014)

c) International context:

Productivity growth has been decreasing in most advanced economies since the year 2000, and especially since the Great Recession.

This is a major source of concern as it affects the current situation of economies but also their future growth potential.
Europe vs US:

- Decrease in productivity growth has been more pronounced in the EU than in the US.

  Productivity growth in the US has returned to its pre-crisis level since 2010.

- This is not the case in the EU.

  EU situation: bad demand forecasts and financial constraints (both in public and private sectors) have a strong detrimental effect on investments which are required to bring productivity and potential GDP growth back to their historical levels.

  This situation, in turn, deteriorates public finances and puts some additional pressure on social protection systems.

  Overall, slow productivity growth associated to weak internal and external demand accentuates the risk that EU countries enter in a so-called ‘secular stagnation phase’ (Dhyne and Fuss, 2014).
These observations have stimulated a substantial amount of research aiming to get a better understanding of ‘What determines (labour) productivity?’

Research output should notably help to design better policies to enable EU countries to return faster to their pre-crisis situation and, more generally, to increase future GDP growth potential in advanced (and developing) countries.

Correlated issue: ‘Misalignment of productivity and wages?’ (in connection to a series of covariates such as e.g. age, education, gender, regions), reflecting discrimination and/or problems of employability.
Objective of the seminar:

Provide a critical analysis of a scientific article devoted to a specific determinant of labour productivity.

This boils down to:

a) Explain policy relevance of research question and added value of paper.
b) Describe competing theoretical models/predictions.
c) Present (briefly) the data and (more extensively) the methodology used in the paper.
d) Describe/comment key regression results (watch out for the functional form !).
e) Discuss main econometric issues that (should) have been tackled (e.g. omitted variables biases, unit roots, time-invariant unobserved heterogeneity, endogeneity) and potential limitations of the paper.
f) Provide in-depth comparison with extant literature (with specific focus on type of data, methodologies/estimators, results).
g) Suggest some avenues for future research.
References:


✓ Research questions / papers

1. The productivity effects of human capital:

   a) Education:

   b) Over-education:

   c) Training:
2. The productivity effects of demographics:

a) Age:

b) Gender:

c) Origin:
3. The productivity effects of industrial relations:

a) Incentive pay:

b) HRM practices:

c) Trade unions:
4. The productivity effects of labour contracts, promotions and absenteeism:

a) Working time:

b) Temporary employment:

c) Promotions:

d) Absenteeism:
5. The productivity effects of sleep quality, personality, trust and diversity:

a) Sleep quality:

b) Personality:

c) Trust:

d) Diversity
6. The productivity effects of IT, R&D, outsourcing and job flows:

a) IT:

b) R&D:

c) Outsourcing:
✓ Outline of the seminar:

a) **20 pages maximum** (excluding references and appendices).

b) Try to have a **global view** of the issue.

c) **Take a step back** from your sources. Plagiarism is a serious academic offence.

e) The **introduction and conclusion are key**.

d) Pay attentional to the layout of your work and get it proofread.

f) **Number the pages, charts and graphs.** No « copy & paste » !

e) Always **cite your source** clearly (also below tables and graphs).

h) Appendices should only contain documents providing **really useful** information for the reader.

i) **References:**

  - In the text, indicate the name of the author followed by the year of publication between parentheses, e.g. Lazear (2000).
  - Provide a complete list of references, in alphabetical order, at the end of the seminar:
    - For monographs (books, reports, ...):
    - For articles in scientific journals:
✓ Where to find sources?

a) UCL library: http://www.uclouvain.be/bspo.html

You’ll notably find:

- Databases: ECONLIT, OECD, EUROSTAT, IMF, etc.

  EconLit, published by the American Economic Association, provides bibliographic coverage of a wide range of economics-related literature. More precisely, it provides references, with abstracts, of books, contributions in books, articles from more than 700 scientific journals, working papers and dissertations.

- A large number of scientific journals in economics and managements.


✓ **Office hours:**

By appointment ([frycx@ulb.ac.be](mailto:frycx@ulb.ac.be)).

I should be often at UCL on Thursdays from 2 to 4 pm (Office D103, 1st floor, building Dupriez, Place Montesquieu 3).

✓ **Deliverables:**

1 electronic copy (to be sent to [frycx@ulb.ac.be](mailto:frycx@ulb.ac.be)).

**Deadline**: April 2, 2015.

✓ **Oral Defence:**

Date: Between April 20 and May 8, 2015.

- **10 minutes** maximum for presentation.
- **20 minutes** for discussion.
✓ Summary of subjects:

1. Education, over-education, training.

2. Age, gender, origin.

3. Incentive pay, HRM practices, trade unions.

4. Working time, temporary employment, promotions, absenteeism.

5. Sleeping hours, personality, trust, diversity.

6. IT, R&D, outsourcing.