

EMBARGO UNTIL THURSDAY 15 MARCH, 14.00 HOURS, BRUSSELS TIME



Productivity Slowdown in Europe Hides Cross Country Variation

The slowdown in labour productivity growth in the European Union since the mid 1990s can be largely traced to a collapse of productivity growth in Italy and Spain and a more moderate slowdown in France and Germany. The productivity slowdown in the United Kingdom has been very limited, and in some smaller economies (Finland, Greece, Ireland, and the Netherlands) productivity growth even accelerated, at least in the market sector of those economies. Productivity growth in most new member states of the European Union has been much faster than in the “old” EU-15 countries, but has often gone together with sharp contraction in employment.

These results are obtained from a new data source on measures of economic growth and productivity, which will be released by the EU KLEMS consortium, a group of 16 research institutes and universities across Europe, on Thursday 15 March in Brussels. The EU KLEMS project is funded by the European Commission, Research Directorate General as part of the 6th Framework Programme, Priority 8, "Policy Support and Anticipating Scientific and Technological Needs".

The results for **France**, which have been prepared by **CEPII**, show that: a shift of labour and hours worked from the manufacturing sector towards services has been under way for the last 25 years but has gone together with a significant slowdown in labour productivity growth;

Multi-factor productivity growth, one assimilates to technical progress, has been quite steady over the past 25 years, thanks to the performance of the manufacturing sector; ICT investment has experienced a strong boost from 1998 to 2001 and then has declined thereafter.

The EU KLEMS database, which also includes growth and productivity measures at detailed industry level, identified the market services sector as the weakest spot of the growth performance in many European countries. The strong productivity growth

advantage of the United States, which is also included in the database, can be largely traced to industries in the distribution services (trade and transport) and financial and business services. But even some European countries, such as the Netherlands and the United Kingdom, have shown much better performance in market services than other member states.

While most EU-15 countries enjoyed faster employment growth over the past 10 years compared to the period before, more intensive use of ICT capital (computer hardware, communication equipment and software) has only taken off slowly in many countries. Even though the contribution of improvements in labour composition to growth stagnated, the overall skill level of the workforce has continued to increase significantly.

It is difficult to predict which industries will be the most productive in the future, as technology and innovation trends are inherently difficult to forecast. But the consortium argues that the future of productivity growth in the EU will strongly depend on the capability to make more productive use of skilled labour, market reforms that facilitate the shift of capital and other resources to the most productivity industries in the economy, and improvements in the innovative capacity of firms.

Information:

The EU KLEMS launch meeting will take place on 15 March 2007 in Brussels, at the Albert Borschette Centre, rue Froissart 36, 1040 Brussels. Those who wish to attend need to register before Tuesday 16 March at noon with the EU KLEMS organization (g.ypma@rug.nl),

Information on the EU KLEMS project as a whole can be obtained from prof. dr. B. van Ark, University of Groningen (tel. +31 50 363 3674 or +31 6 2189 4241).

Specific information on COUNTRY FRANCE can be obtained from Michel FOUQUIN, deputy director at CEPII (tel. + 33 1 53 68 55 44).

Program Public Release EU KLEMS database

IMPORTANT: The security procedures at the European Commission require that we deliver a complete list of participants. If you want to attend the public release and your name is not on the attendants list below, please send an email to [Gerard Ypma](mailto:Gerard.Ypma@ec.europa.eu). The deadline to register is Tuesday 13 March.

Thursday 15 March (location Albert Borschette Centre)

14.00-14.15: Opening words by Hervé Carré (Eurostat) and Marco Buti (ECFIN)

14.15-14.30: Presentation of EU KLEMS project and results by Bart van Ark (University of Groningen)

14.30-14.45: Presentation by Dale Jorgenson (Harvard University) on EU in World Economy

14.45-15.00: Presentation on France, Germany and UK by Mary O'Mahony (NIESR and University of Birmingham)

15.00-15.20: Questions and discussion led by Wolfgang Munchau (Financial Times)

15.20-15.40: Intervention by EU Commissioner Joaquín Almunia (to be confirmed)

15.40-16.00: Break

16.00-17.15: Policy Panel chaired by Wolfgang Munchau (Financial Times) with Michel Fouquin (CEPII), Bernd Görzig (DIW), Peter Havlik (WIIW), Matilde Mas (IVIE), Jürgen Kröger (ECFIN), Pierre Valette (RTD) and Andrew Tank (TCB)

17.15-17.35: Closing remarks by EU Commissioner Janez Potocnik (to be confirmed)