

Contributions to business sector services' productivity

The business services sector has contributed significantly to GDP growth across OECD countries in recent decades, driven in large part by an increase in firms providing intermediate services to other firms, also in the manufacturing sector. This process of outsourcing activities previously conducted in-house has increased efficiencies, and hence, labour productivity, of both outsourcing firms and specialised intermediary firms. Over the long term, this may produce a structural shift towards intermediate services industries and a direct positive contribution of high productivity business services to productivity growth of the total economy.

Key findings

For most OECD countries, labour productivity growth in the business sector services over the past 15 years was mainly driven by distributive trade, hotels and transport services, reflecting their much larger share of overall economic activity and employment. In the pre-crisis period strong productivity growth in finance and insurance activities also acted as a significant contributor, however the post-crisis contribution has been weaker.

Definition

The contribution of each services sector to labour productivity growth of the total business sector services is computed as the weighted difference between the growth rate of real gross value added and that of hours worked. The weights are preferably computed as each individual sector's share in nominal gross value added and total hours worked respectively of total business sector services. For Japan, Korea and the United States, in the absence of national accounts data on total hours worked by main ISIC Rev.4 economic activity, the weights are computed using the total number of persons employed (employees and self-employed). Business sector services include wholesale and retail trade, repair of motor vehicles and motorcycles, transportation and storage as well as accommodation and food services – presented here as “trade, hotels and transport”-; information and communication services; financial and insurance activities; and professional, scientific and support activities – reported here as “professional services”.

Information on data for Israel: <http://dx.doi.org/10.1787/888932315602>.

Comparability

The contribution of any particular services activity to total business sector services productivity depends critically on its share in total nominal value added and total hours worked. In addition to the difficulties encountered in measuring price changes in the services sector, for some services, it is also difficult to accurately measure nominal output and value added. In financial activities, for example, the services provided are not always explicitly charged for and can only be measured indirectly.

Sources and further reading

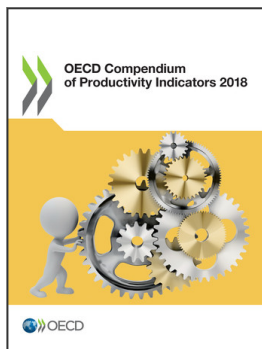
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Figure 3.5. Contributions to productivity growth of business sector services excluding real estate

Real gross value added per hour worked, percentage point contribution at annual rate



StatLink  <http://dx.doi.org/10.1787/888933734056>



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