

Preface

Productivity is the ultimate engine of growth in the global economy. Raising productivity is therefore a fundamental challenge for countries going forward. This new OECD report on *The Future of Productivity* shows that we are not running out of ideas. In fact, the growth of the globally most productive firms has remained robust in the 21st century. However, the gap between those global leaders and the rest has increased over time, and especially so in the services sector. This implies that knowledge diffusion should not to be taken for granted. Future growth will largely depend on our ability to revive the diffusion machine, both within and across countries. At the same time, there is much scope to boost productivity and reduce inequality simply by more effectively allocating human talent to jobs.

Over the coming decades, there will be several challenges to global growth, in spite of the continued rise of emerging economies. Global growth will be affected by population ageing, and a levelling out in education attainments in OECD countries and in labour force participation. More than ever, productivity will be the main driver of future growth and prosperity. Higher productivity growth is also essential to accommodate the impact of demographic pressures on public budgets, to escape the middle income trap that afflicts many emerging economies and to foster a new era of efficiency that drastically shrinks our footprint on the environment. Reviving the diffusion machine will also promote inclusive growth. The rise in wage inequality largely reflects the increasing dispersion in average wages paid across firms. Raising the productivity of laggard firms, via better diffusion, could contain increases in wage inequality.

The list of structural obstacles to diffusion is long. However, this report shows that four factors are key to more effective diffusion. First, global connections need to be extended, via trade, foreign direct investment (FDI), participation in global value chains (GVCs) and the international mobility of skilled labour. Second, firms – especially new entrants – should be able to experiment with new technologies and business models. Third, economies need to make the most of scarce resources by enabling labour, capital and skills to flow to the most productive firms. Fourth, we need investment in innovation, including research and development (R&D), skills and organisational know-how to enable our economies to absorb, adapt and reap the full benefits of new technologies. Investment in education and skills is particularly important to ensure that workers have the capacity to learn new skills, to make the most of digitisation and to adapt to changing technologies and working conditions. Skills and productivity are the real sources of strong, inclusive and sustainable growth.

The OECD has been at the frontier of productivity research for many years. We have been the thought-leaders in advising governments on policies for advancing frontier innovation and promoting productivity diffusion to ensure inclusive growth. We have been at the forefront of productivity measurement. This report marks the start of a renewed and concerted effort across the OECD to put productivity at the heart of our work on strong, inclusive and sustainable growth.

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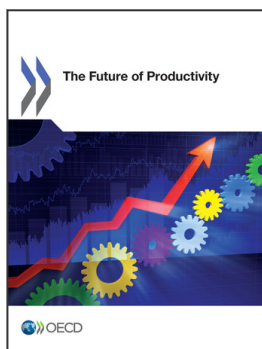
This book also draws on the recent research of other OECD colleagues, notably Peter Gal and Alessandro Saia, as well as Silvia Albrizio, Flavio Calvino, Carlo Menon and Mariagrazia Squicciarini. It also draws on the work of external experts, Eric Bartelsman and Stuart Graham.

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