



Some topics under scrutiny regarding
productivity developments in France
in relation with measurement issues

Quintessential to identify the main drivers behind the productivity slowdown across advanced economies

3 important phenomena in many advanced countries:

1. Aggregate productivity growth slowdown
2. Tax avoidance by multinational firms
3. Digitalization of the economy and the rise of intangible capital

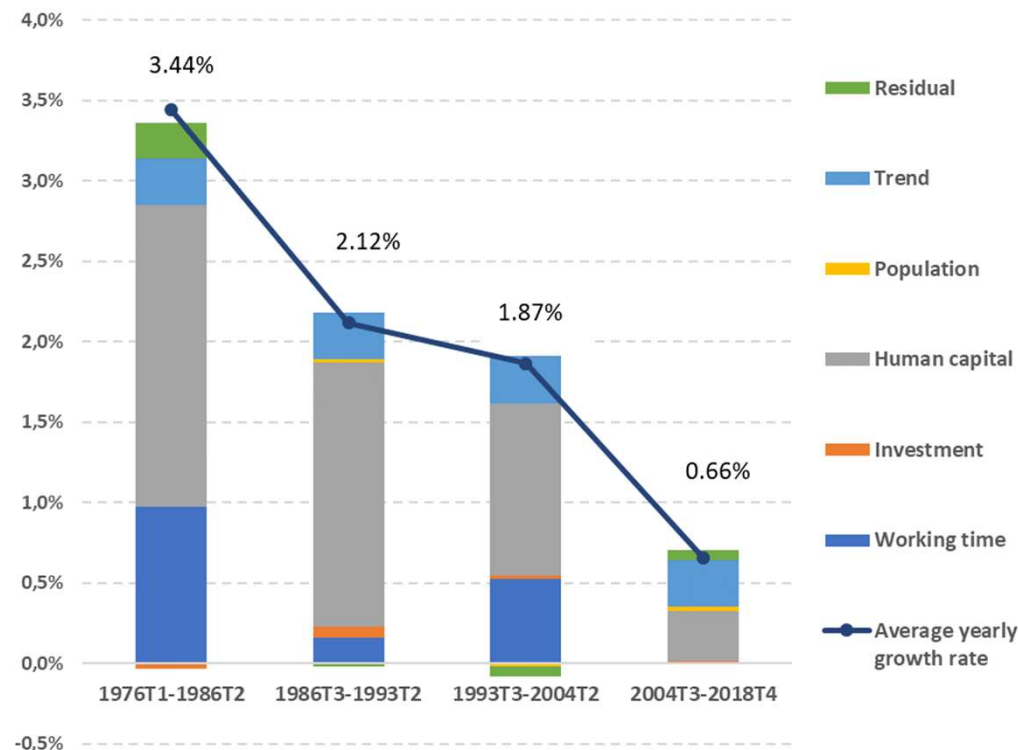
Common denominator to these three issues:

the question of measurement of value creation and of productivity both at the micro and macro level

Irish case in 2015 following MNEs' relocation of IPR: GDP annual growth in 2015 was revised from an expected 7.8% to 26%, exports were revised up by 50 billion euro

- Lack of consensus about the main factors behind the productivity slowdown and its persistence
- Slowdown of human capital accumulation may explain half of labour productivity slowdown since the mid 1970s in some of the most advanced economies → issue of measuring the stock of human capital and how to improve it

Contribution of structural factors to labour productivity growth in France

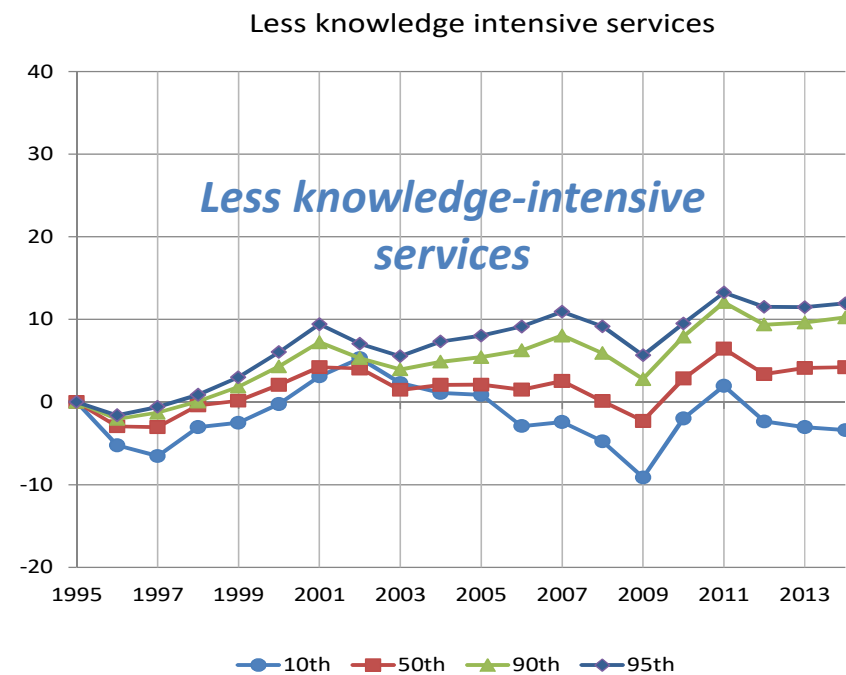
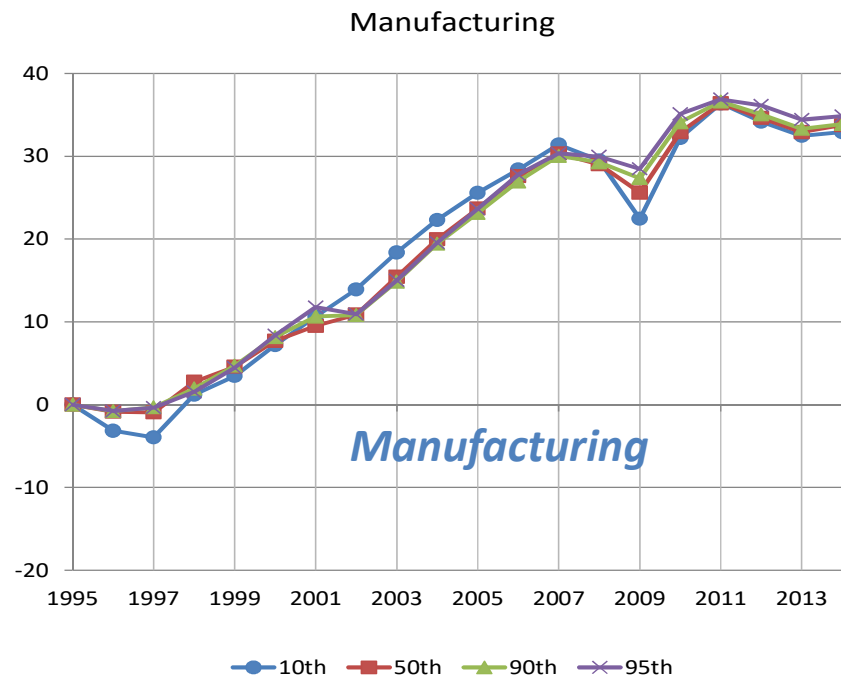


Several other potential main drivers of the slowdown raising measurement issues

- A shift of the productive structure towards sectors with lower productivity gains (services) → need to better measure productivity in the services sectors including public services (large discrepancies across countries in the measurement)
- Decreasing ICTs contribution to TFP growth → need to better assess the rise in product quality linked to digital improvements
- Increasing productivity divergence between firms → growing misallocation of resources? The role of intangibles? Influence of fiscal optimization? Regulatory barriers to reallocation? Barriers to competition in services?

Dispersion of productivity in less-skilled services

- Unlike most other OECD countries, no dispersion of labour productivity in manufacturing and knowledge-intensive services sectors in France



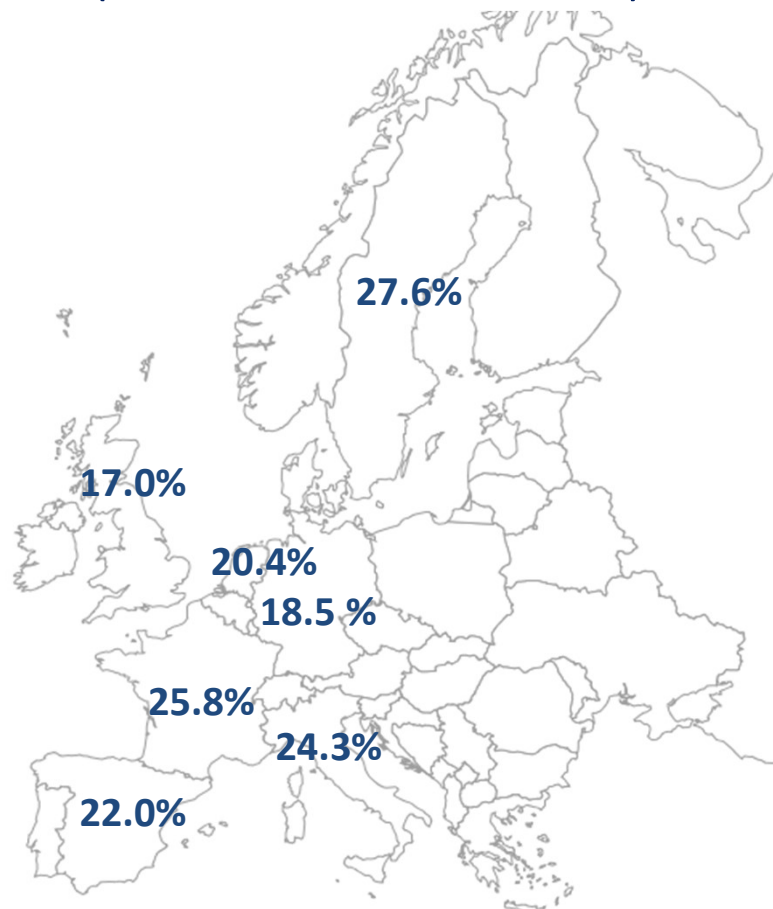
Source : OECD, Multiprod

The role of intangibles

- Tax heavens could explain an annual loss close to 10% in terms of the aggregate annual labour productivity growth (Bricogne, Delpeuch, Lopez-Forero, 2021)
 - The fall in productivity is especially strong for firms that are intensive in intangible capital. These types of assets are more easily transferred across countries and facilitate fiscal optimization
 - Ongoing work on intangible capital, intensity of competition and productivity in France following Eberly and Crouzet, 2019: intangible capital can generate productivity gains but may also confer market power through market differentiation and competitor's exclusion through patenting protection (potentially leading to divergence between frontier firms and laggards)
- Challenge of a better measure of investment in tangible and intangible assets
- Assessing the impact on market concentration, competitive pressure and creative destruction raises complex measurement issues

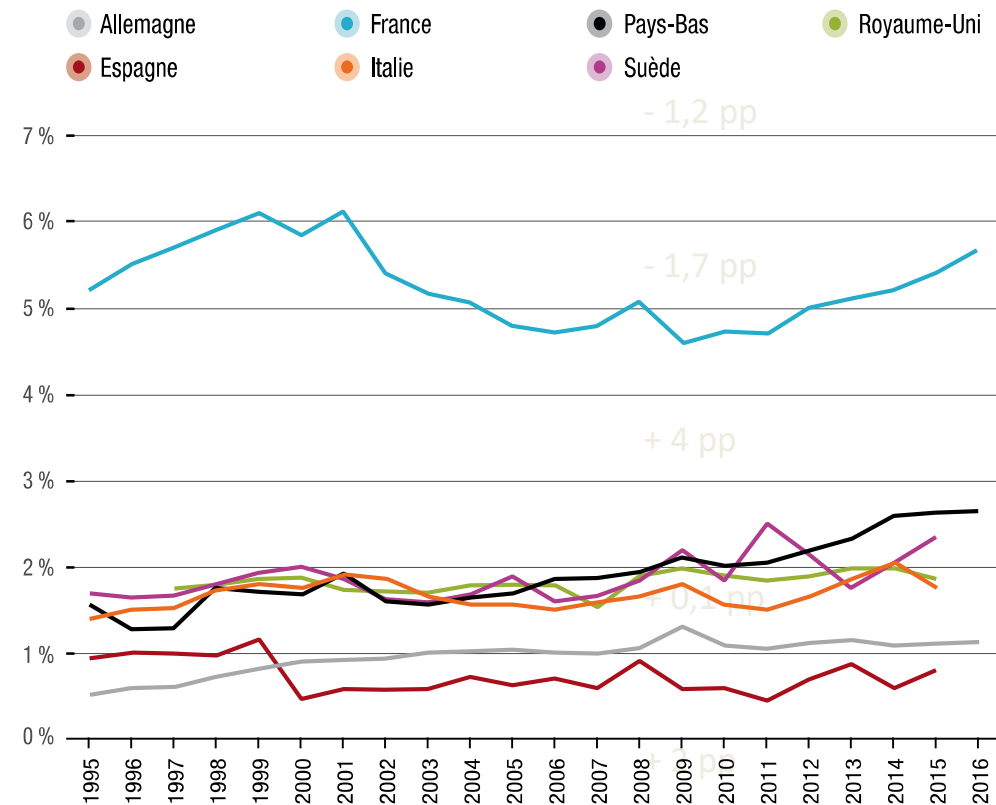
Large discrepancies in business investment measurement across Europe

Investment rate in the manufacturing sector
(% of value added - 2016)



Source : Eurostat.

Investment rate in software and databases in the manufacturing sector (% of value added - 2016)



Source : Eurostat.

Covid Crisis and productivity

The second report of the French National Productivity Board tries to assess the impact of the Covid Crisis and the support measures on productivity

- Emergency and recovery packages maintained many businesses in a “hibernation” stage, thus explaining the drop in bankruptcies (-36%)
 - Empirical analysis: current insolvencies are determined as usual by lower levels of productivity and by corporate debt → the government measures have so far prevented the bankruptcies of productive firms
 - The cost of these measures is a considerable increase in firms debt with a risk of preventing them from investing and innovating in the future
- Exit strategy for support measures should distinguish between viable and non viable companies. Productivity indicators will be key
- Impact of telework on productivity and employee well-being still incompletely understood, especially in France → need for further work

Organisation of the French National Productivity Board

- Established on 23 June 2018, chaired by Philippe Martin, chair of the Conseil d'Analyse Economique
- Composed of 10 independent experts:

Olivier Blanchard, MIT and Peterson Institute for International Economics

Laurence Boone, OECD

Gilbert Cette, université d'Aix-Marseille and Banque de France

Chiara Criscuolo, OECD

Anne Epaulard, université Paris-Dauphine

Sébastien Jean, CEPII and INRA

Margaret Kyle, Mines ParisTech

Xavier Ragot, OFCE and Sciences Po

Alexandra Roulet, INSEAD

David Thesmar, MIT Sloan School of Management