



# Responding to Challenges of Adjustment and Reallocation

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**Catherine L. Mann**  
OECD Chief Economist

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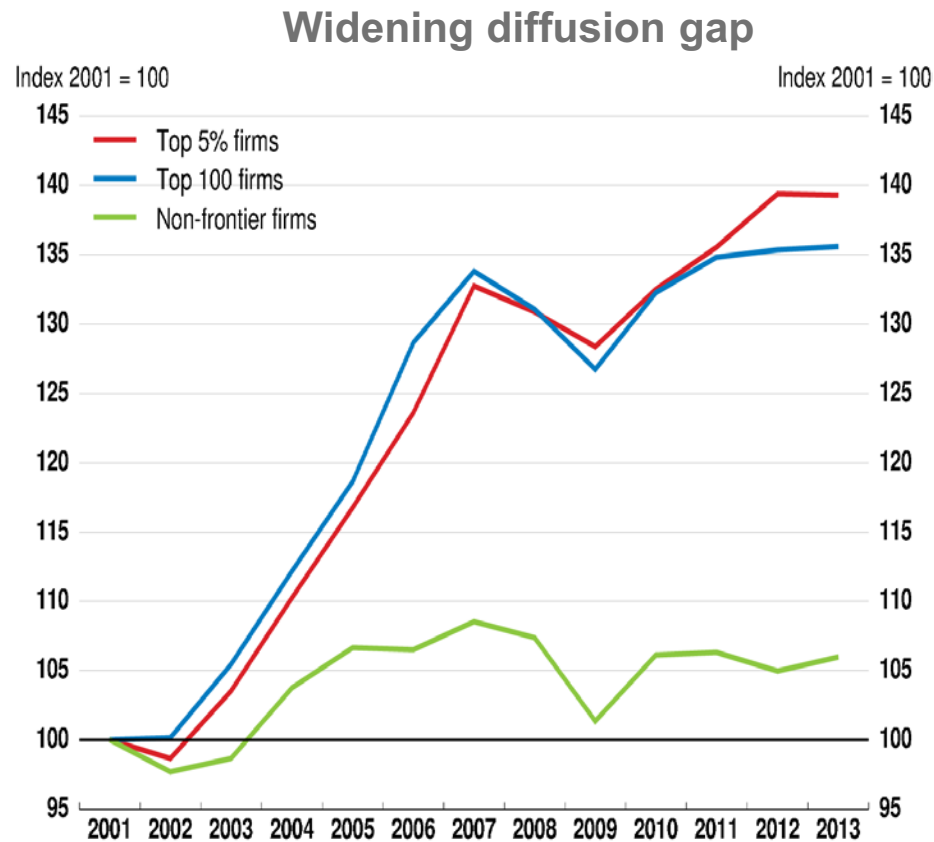
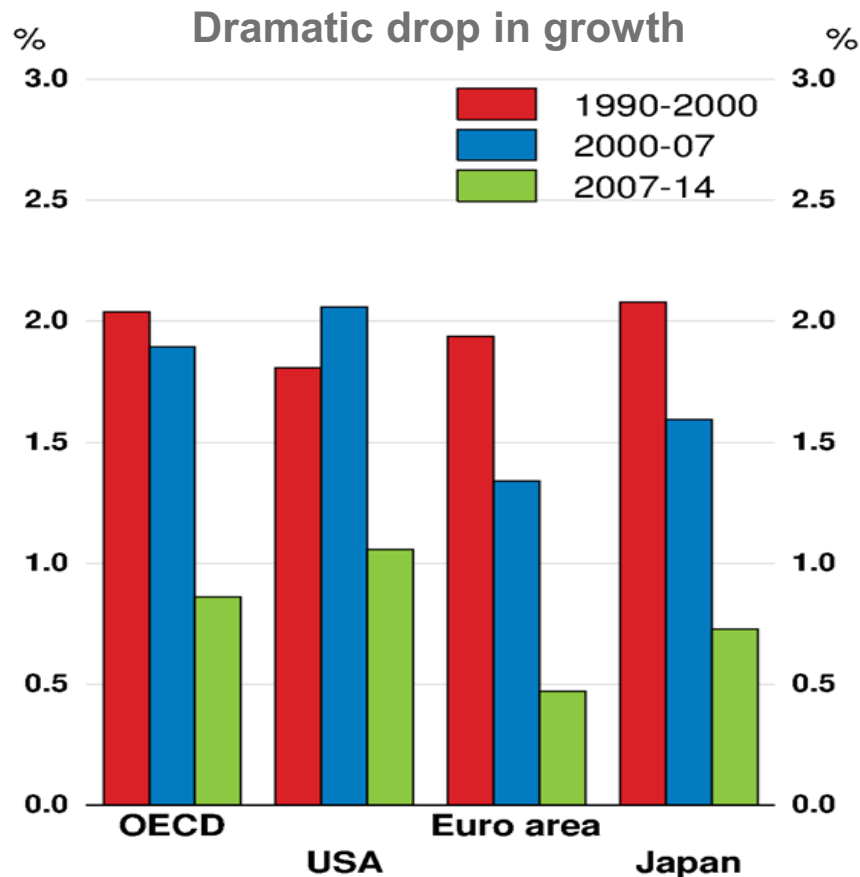
# Sources of gains, but also of adjustment/reallocation challenges





# Falling productivity growth is widespread and undermines long-term potential output

## Measures of labour productivity growth



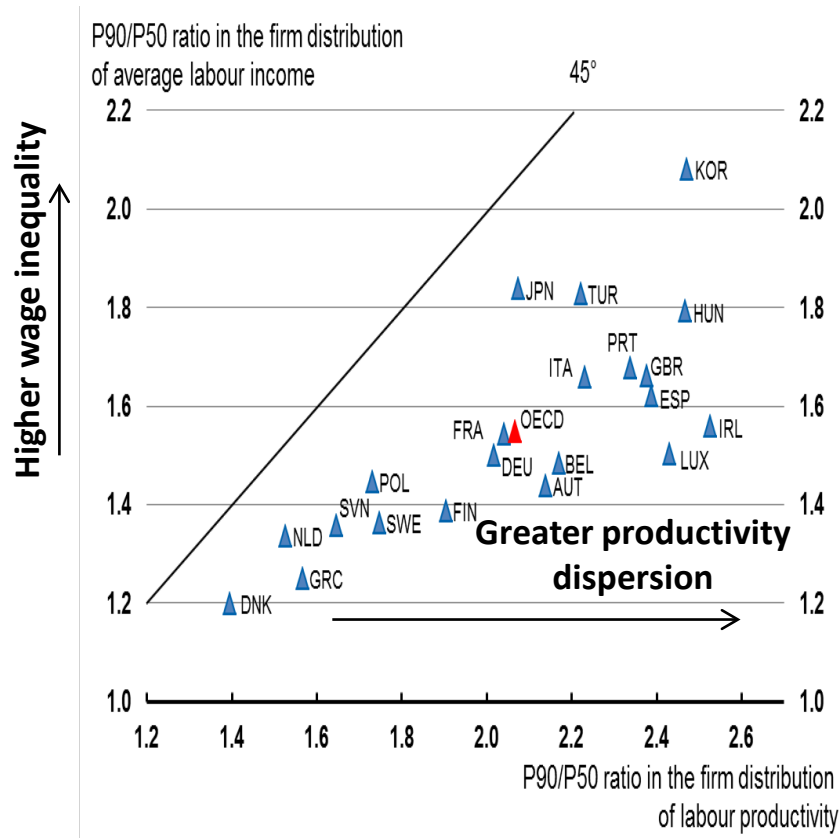
Note: Labour productivity growth is output per hour worked at annualised rate. Source: OECD June 2016 Economic Outlook database; OECD National Accounts database; OECD Productivity database; OECD calculations.

Source: OECD preliminary results based on Andrews, D., C. Criscuolo and P. Gal (2016), "Mind the Gap: Productivity Divergence between the Global Frontier and Laggard Firms", OECD Productivity Working Papers, forthcoming; Orbis data of Bureau van Dijk.



# Frontier firms pay more than laggard firms... associated with rising income inequality

## Wage inequality and productivity dispersion across firms

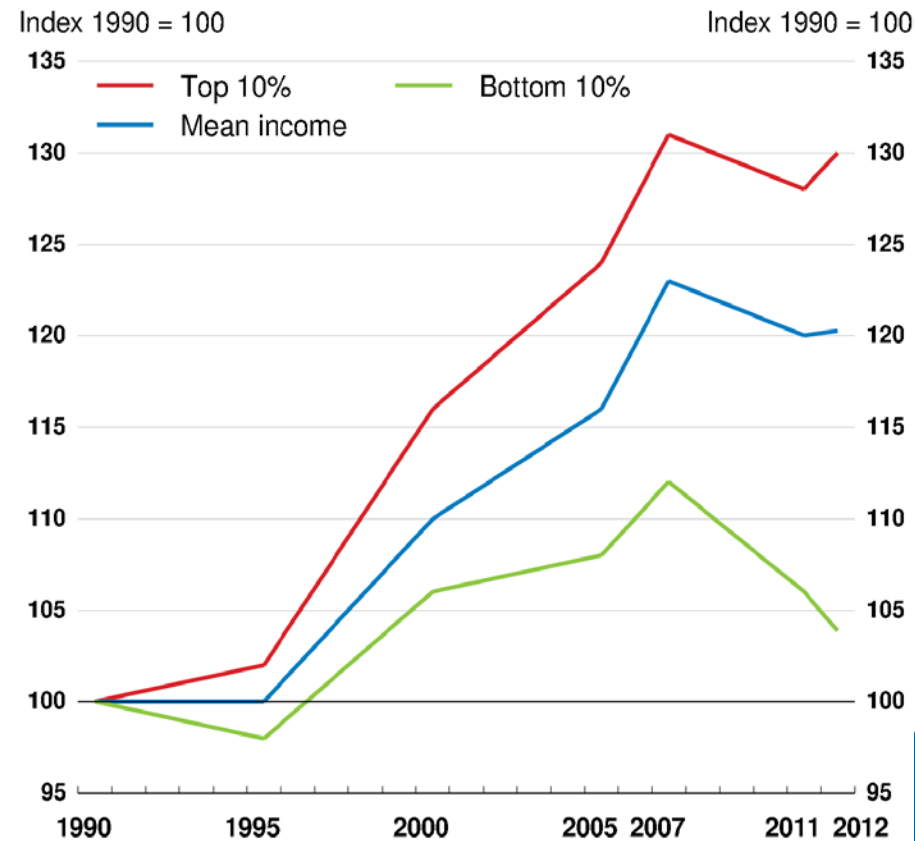


Note: Data are for 2013. OECD is the unweighted average of the countries for which data are available. The P90/P50 ratio is labour income or labour productivity of the firm at the 90th percentile divided by the corresponding value of the firm at the median. Labour income is total compensation including taxes and the employer's and employee's social security contributions.

Source: OECD estimations based on Saia and Schwellnus (2016), "Decoupling of Productivity and Median Wage Growth: Micro-Level Evidence", OECD Economics Department Working Papers, forthcoming; Orbis.

## Inequality in income is rising in the OECD

*Real household disposable income, total population*



Note: OECD is the unweighted average of the countries for which data are available.

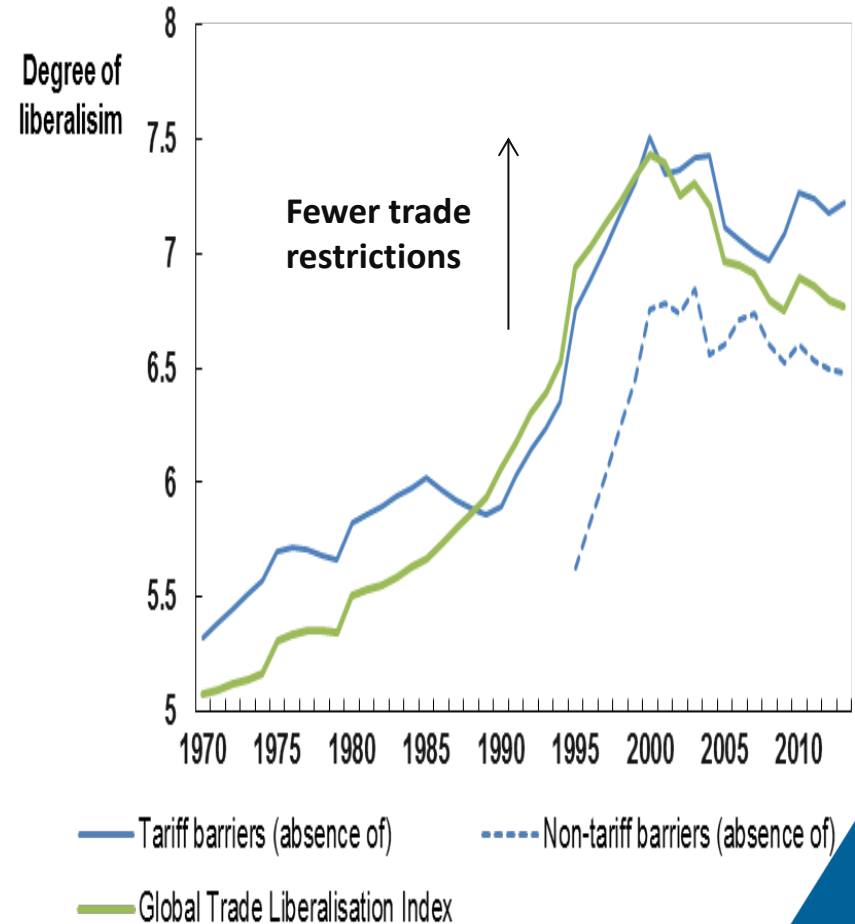
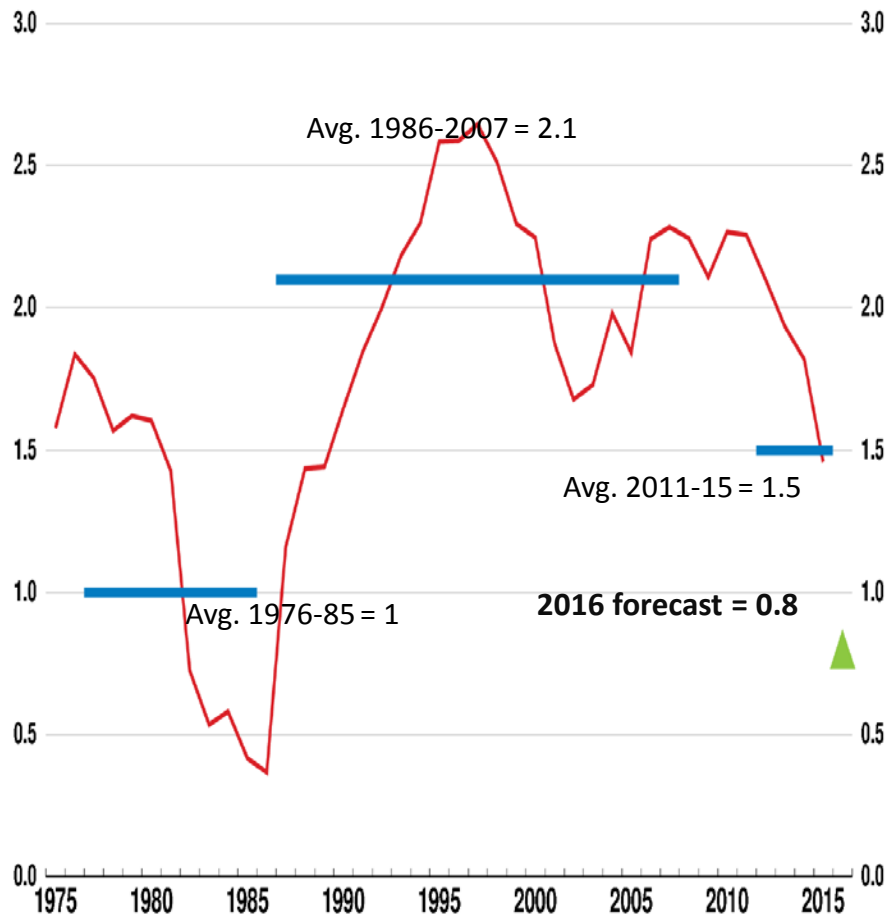
Source: OECD estimations based on Kappeler et al. (2016), "Decoupling of Productivity and Median Wage Growth: Macro-Level Evidence", OECD Economics Department Working Papers, forthcoming; OECD National Accounts database; OECD Earnings database; OECD Income Distribution database; OECD calculations.



# World trade growth is exceptionally weak... and trade liberalization has stalled.

## Ratio of world trade growth to GDP growth

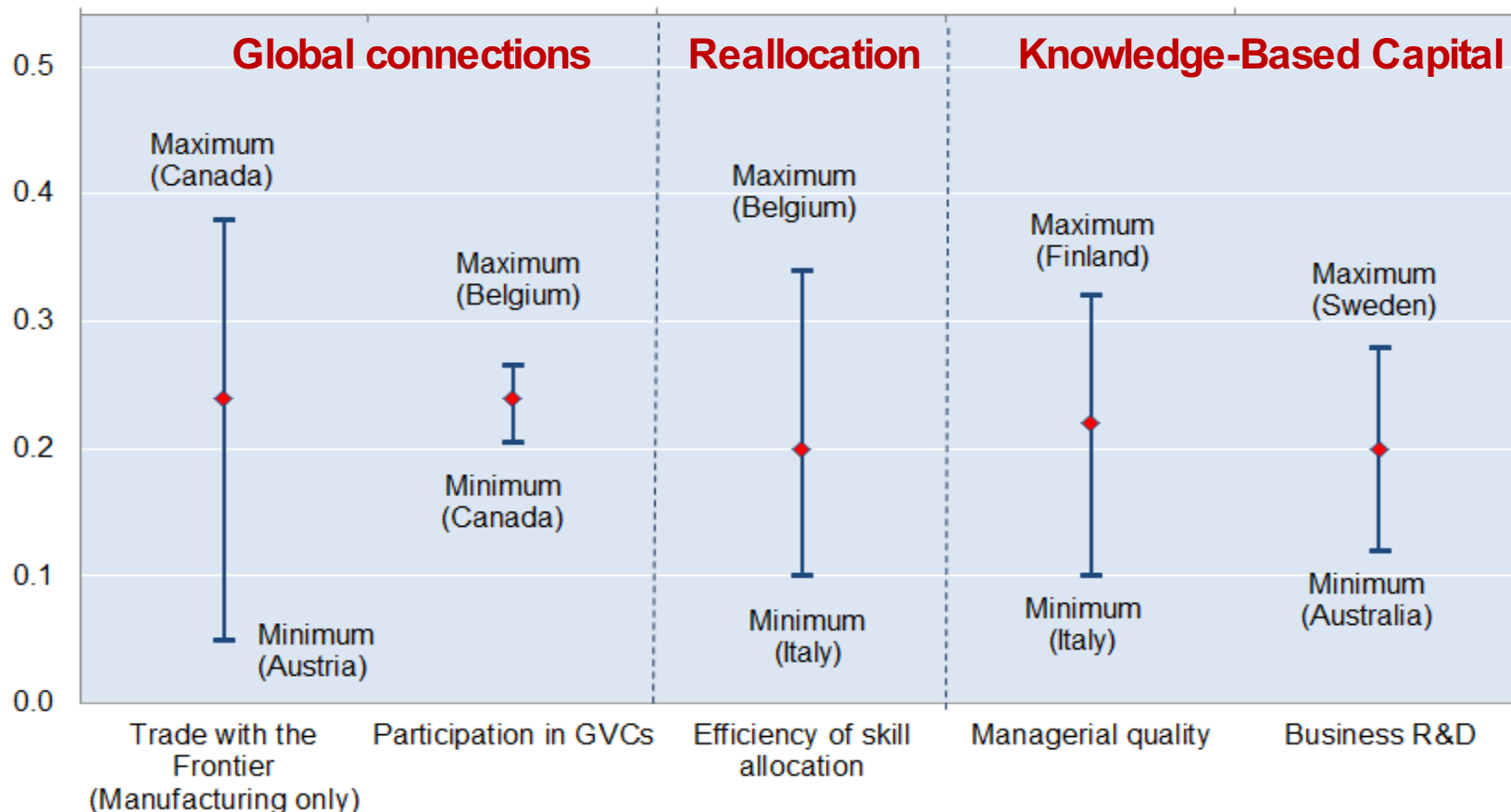
5-year average





# Productivity diffusion shaped by Trade, Reallocation capability, Technology adoption

Estimated frontier spillover (% pa) associated with a 2% point increase in MFP growth at the global productivity frontier





# Sources of gains, but also of adjustment/reallocation challenges

