

Editors' Overview

This 40th issue of the *International Productivity Monitor* (IPM) marks a major milestone in the development of the publication, with Ottawa-based Centre for the Study of Living Standards now partnering with The Productivity Institute in the United Kingdom. The IPM will now serve as the flagship publication of both organizations. Starting with this issue, Bart van Ark will join Andrew Sharpe as co-Editor of the IPM. Bart is a well-known international productivity researcher who recently assumed the position of Managing Director of The Productivity Institute. He is also a professor of Productivity Studies at the Alliance Manchester Business School at the University of Manchester in the UK.

This issue contains seven articles: Research articles address pay and productivity trends in Canada; the benchmarking of the productivity performance of frontier firms in New Zealand; the cause of Japan's economic slowdown; and the measurement of the volume of output and productivity in services industries in OECD countries. The issue also contains a viewpoint on why Canada needs an Equitable Growth Institute and review articles on books on techniques for the measurement of productivity and efficiency and productivity issues in the UK.

Governments, and society in general, are increasingly insisting that economic growth must be equitable in nature. A key feature of an inclusive growth path is that workers receive their fair share of productivity gains. In the lead article in the issue, **David M. Williams** from the Business Council of British Columbia provides a detailed examination of long-term productivity and pay trends in Canada. He finds that growth in the average real consumption wage has in fact more or less kept up with labour productivity growth over the 1961-2019 period, although there were divergences in sub-periods. This largely reflected the

stability of labour's share of income.

New Zealand has long followed the market-oriented policy prescriptions given by international organizations. But it has seen no productivity payoff, ranking 25th out of 36 OECD countries in terms of output per hour growth since 2000. To shed light on this puzzle, the second article by **Guanyu Zheng** from the Reserve Bank of New Zealand, **Hoang Minh Duy** from the National University of Singapore, and **Gail Pacheco** from Auckland University of Technology and the New Zealand Productivity Commission compares the relative productivity performance of New Zealand's laggard, median, and frontier firms to those of five small advanced economies. Perhaps not surprisingly, New Zealand firms fare poorly, with the labour productivity of frontier firms less than half the average productivity of such firms in comparator countries. These firms appear not to be benefiting from the diffusion of best practice technologies.

After very rapid economic growth in the immediate postwar period, the Japanese economy entered a period of secular stagnation in the 1990s. The reasons for this economic stagnation are still

not fully understood. In the third article in this issue, **Kyoji Fukao** from Hitotsuboshi University, **YoungGak Kim** from Senshu University, and **HyeogUg Kwon** from Nihon University use the Japan Industrial Productivity Database to shed light on the cause of Japan's economic slowdown. The authors identified the absolute decline in the size of the working age population (15-64), sluggish accumulation of capital, and weak investments in economic competencies, and a decline in TFP growth in a small number of industries, as the key culprits responsible for the slowdown in economic growth in 2005-2015 relative to 1995-2005.

Reliable volume estimates of output in service industries require accurate data on services prices to deflate nominal output measures. But do statistical offices in OECD countries measure services producer process in a consistent and reliable manner? In the fourth article, **Mary O'Mahony** from King's College London and **Lea Samek** from the OECD and King's College London address this issue through an audit of prices for 31 individual services activities posted on the websites of the national statistical offices in 16 OECD countries. They find a small but significant upward bias in prices for one widely used price measurement method, resulting in the underestimation of the volume of services output and productivity.

Many countries have a government-funded research body to promote productivity growth. Canada does not. In the fifth article, **Don Drummond** from the Centre for the Study of Living Standards and Queen's University makes that case

that the government of Canada should establish an Equitable Growth Institute to address both the productivity challenge and the need for inclusive and environmentally sustainable growth.

In the sixth article, **Bert Balk** from Erasmus University discusses the volume *Measurement of Productivity and Efficiency: Theory and Practice* by Robin C. Sickles and Valentin Zelenyuk. He finds much to praise in the book, particularly its thoroughness. Balk notes a disconnect between productivity researchers in the neoclassical school, who assume firms act efficiently, and researchers in the data envelopment and stochastic frontier analysis field where the focus is on efficiency and the many ways to measure it. He wonders whether economists working with the first approach pay sufficient attention to the work of those using the second.

In the seventh article **Bart van Ark** from the University of Manchester and The Productivity Institute discusses two edited volumes recently produced by the UK Productivity Insights Network. The first volume addresses the nature and causes of the UK productivity slowdown from an interdisciplinary perspective. The second volume focuses on the implications of the pandemic for productivity. Many contributors argue for policy intervention to prevent permanent damage on productivity after the pandemic and create better conditions for a sustained productivity revival. Building on the insights from the 37 articles in the two volumes, the reviewer develops a detailed agenda for UK research and policy on productivity going forward.