



HM Treasury

UK perspectives on productivity

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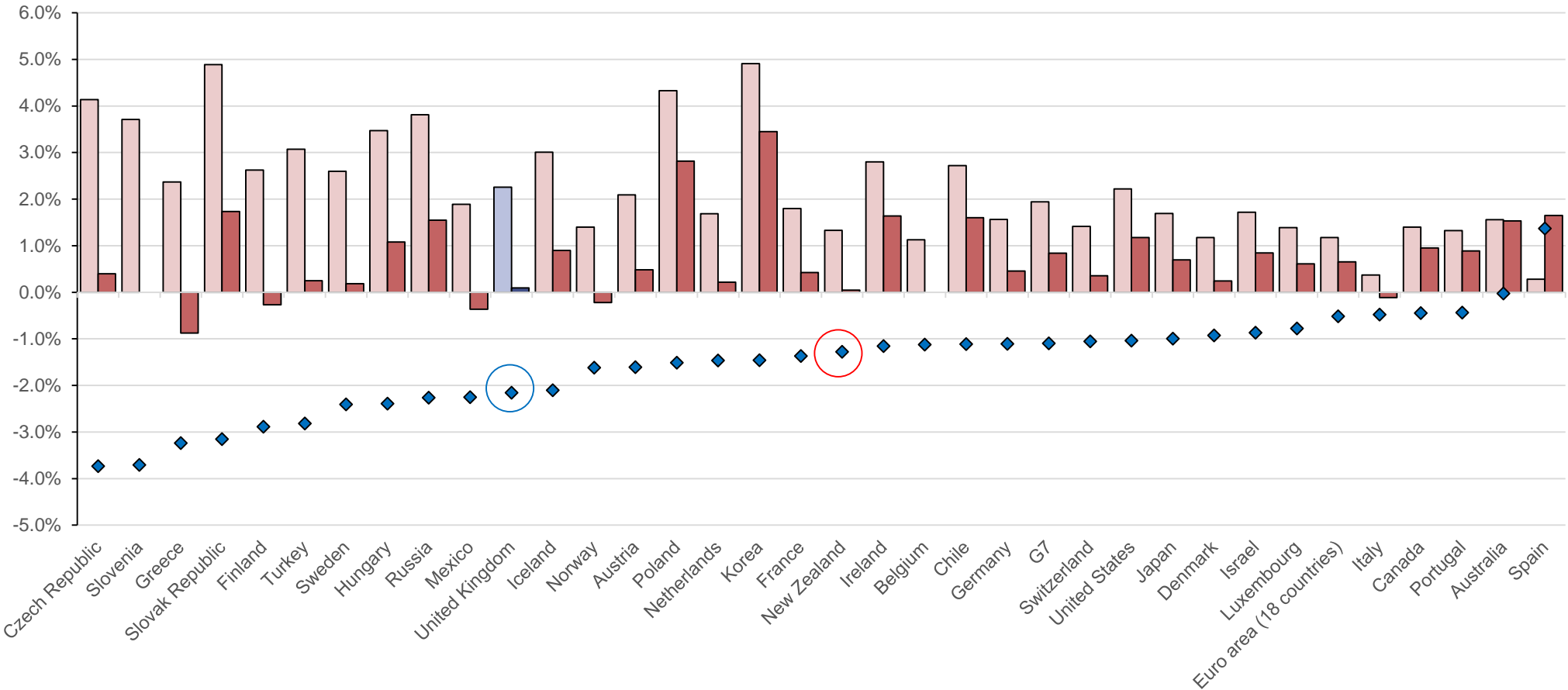


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1 December 2015

Weak productivity: a global issue

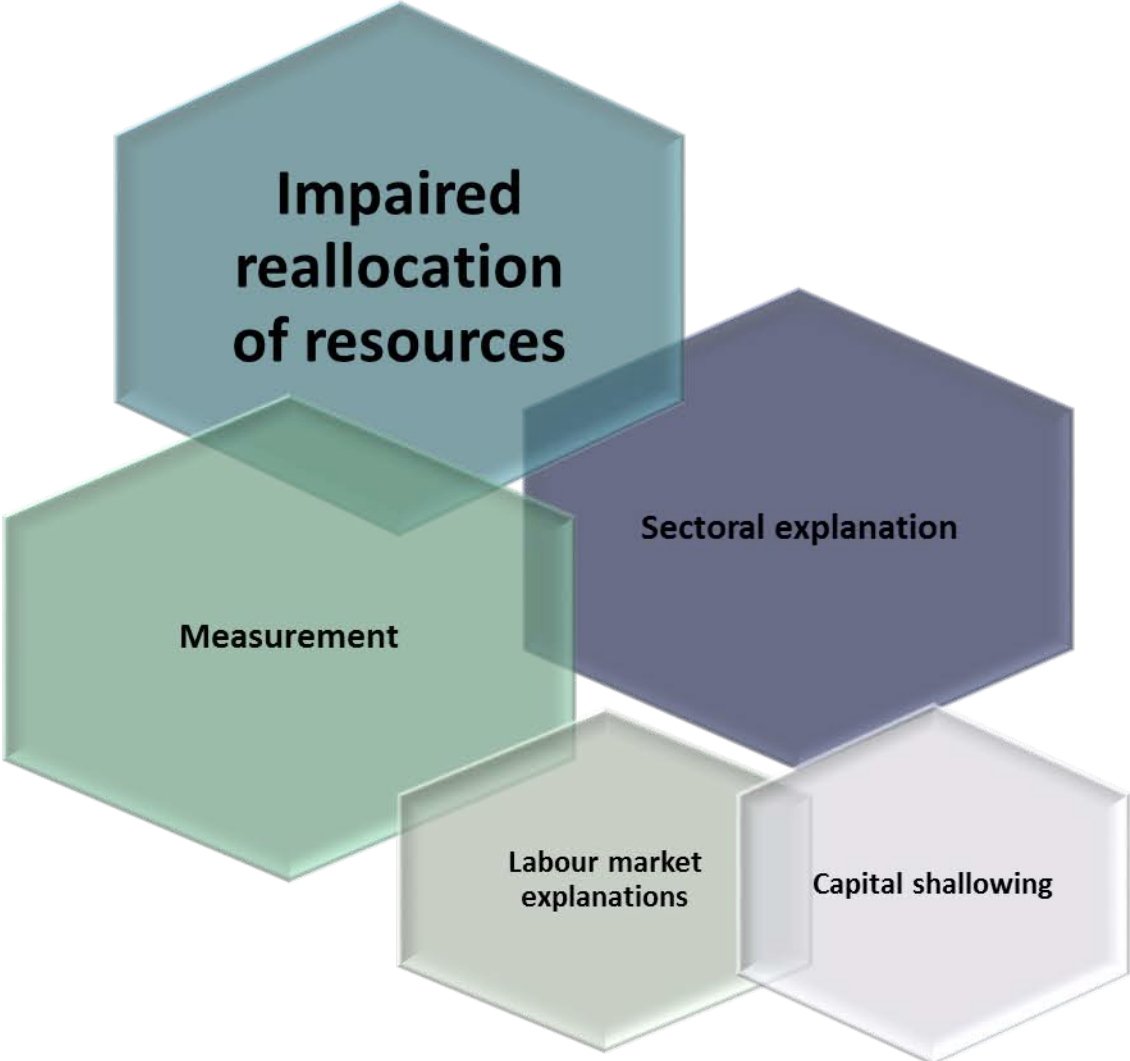
Change in average productivity growth - pre & post crisis



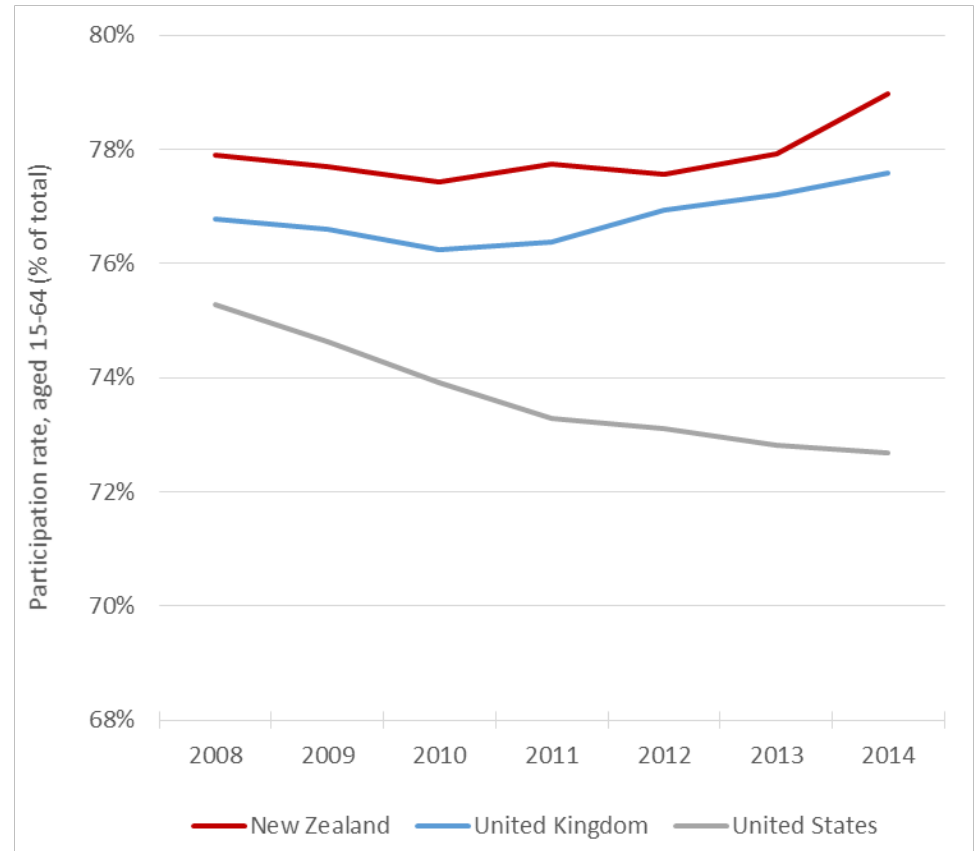
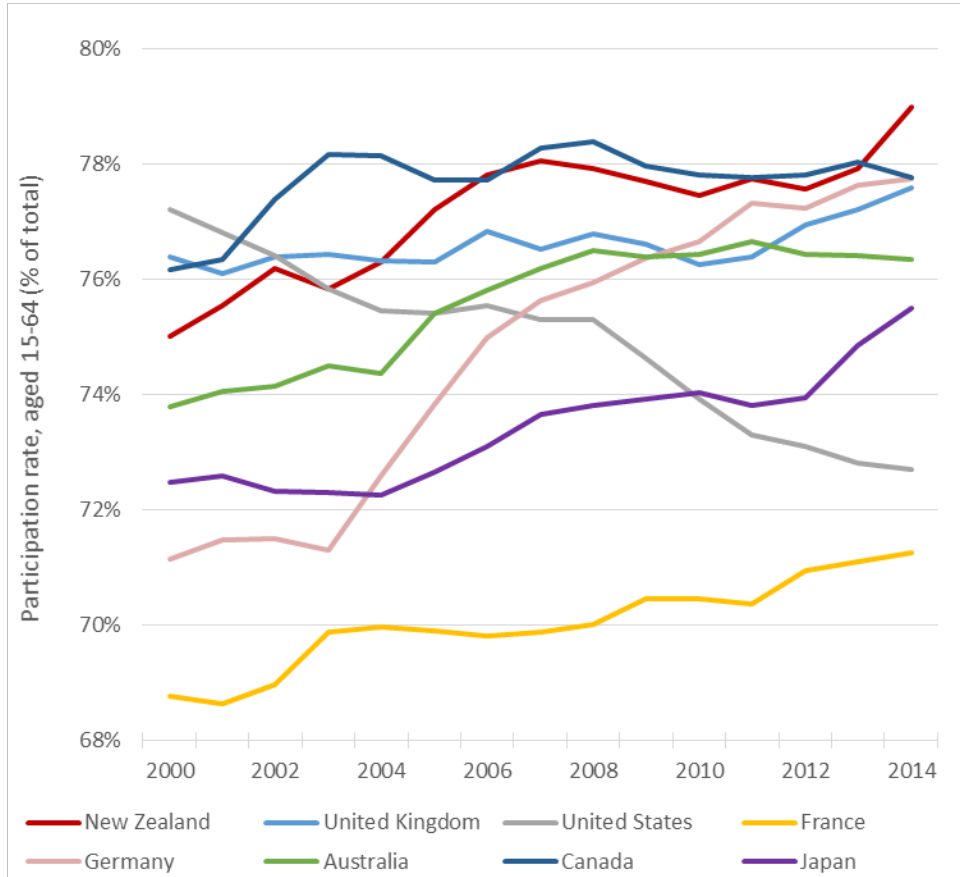
Source: OECD databank

□ 1997-2007 ■ 2007-2014 ◆ Difference

Leading explanations of the UK productivity slowdown

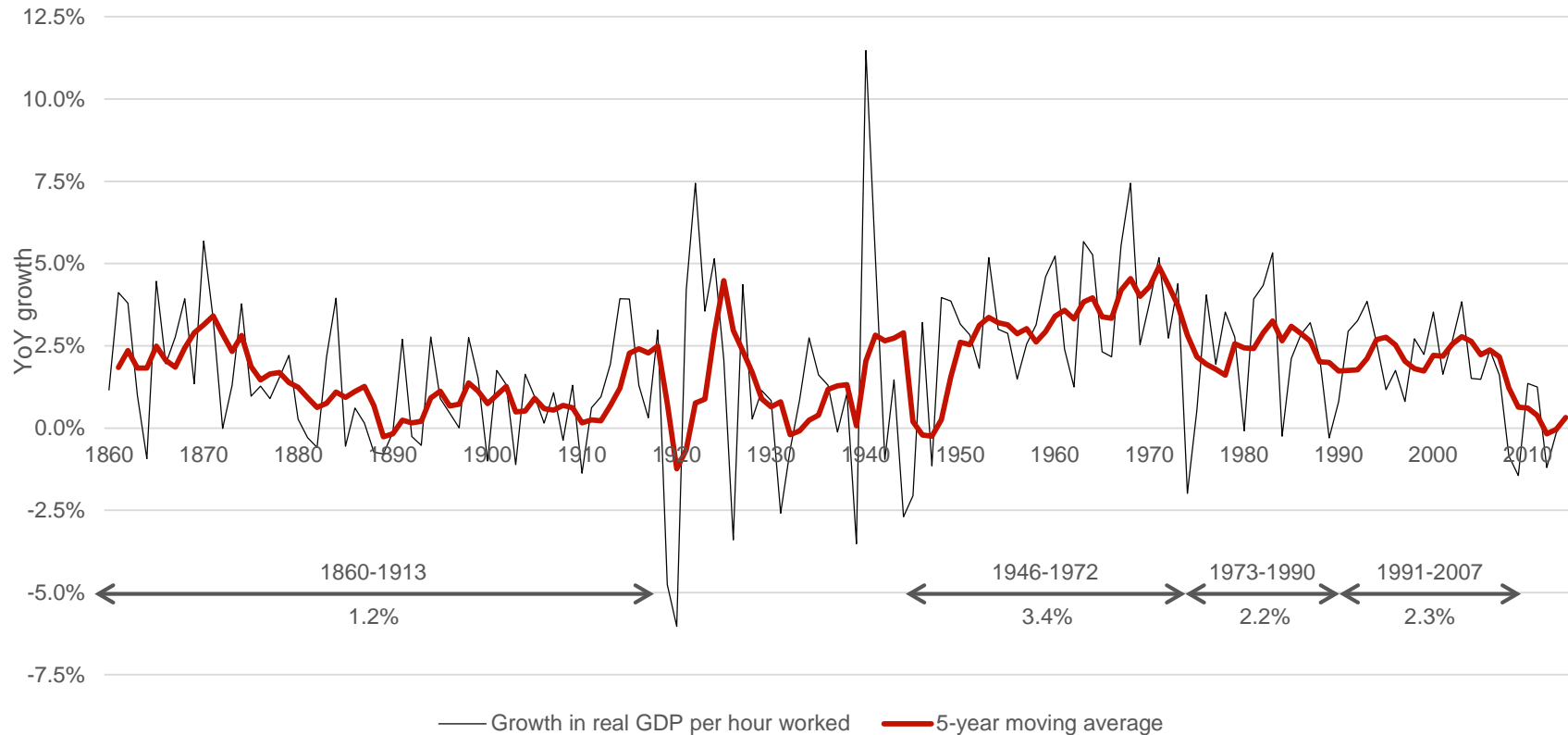


National context matters: trends in labour market participation



Source: OECD

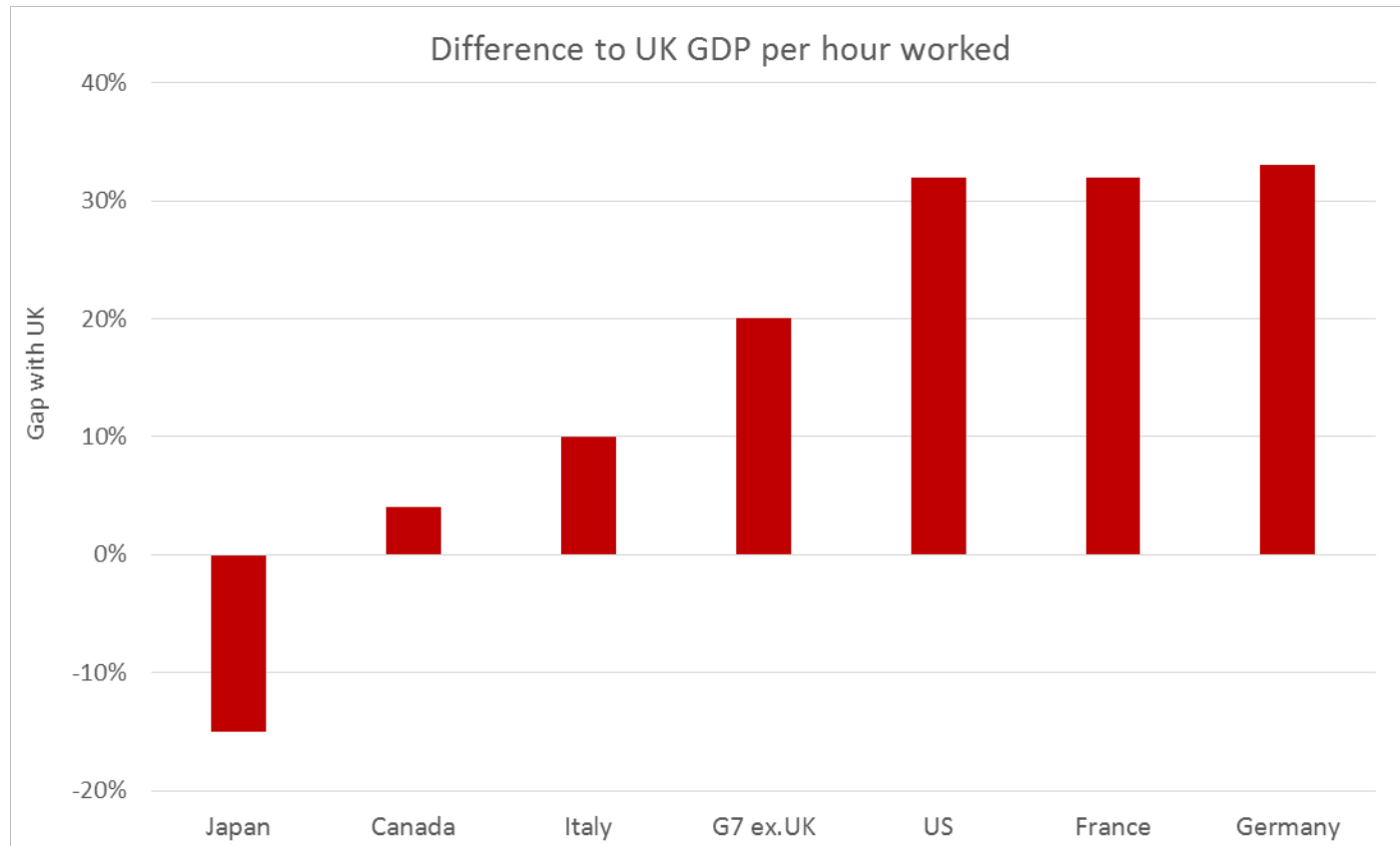
Hit to productivity level or growth rate?



Average growth in real GDP per hour worked	
Great Recession (2008-2009)	-1.2%
Recovery (2010-Now)	0.3%
Post-WWII period (1946-Now)	2.5%

Source: Bank of England

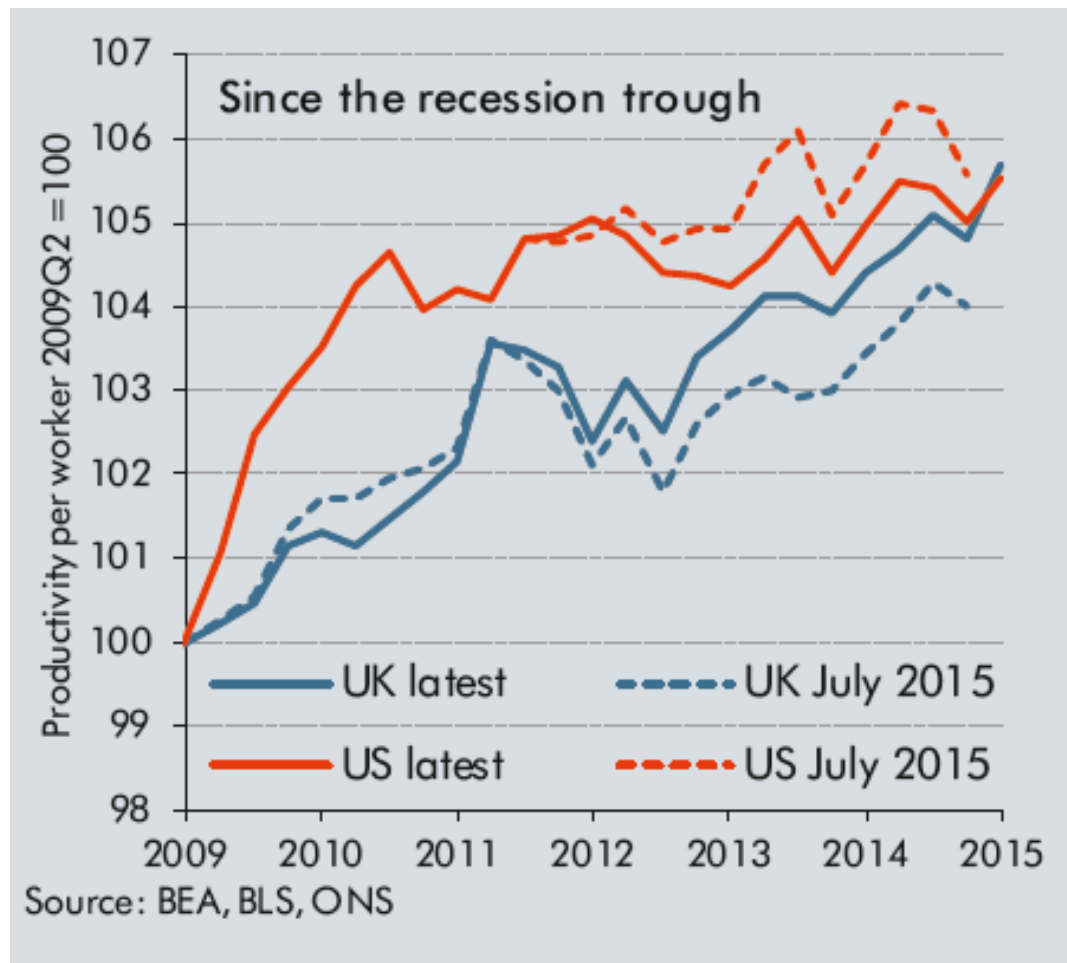
The historic gap between the UK and most of the G7 has continued to widen



Source: OECD

Productivity growth has picked up

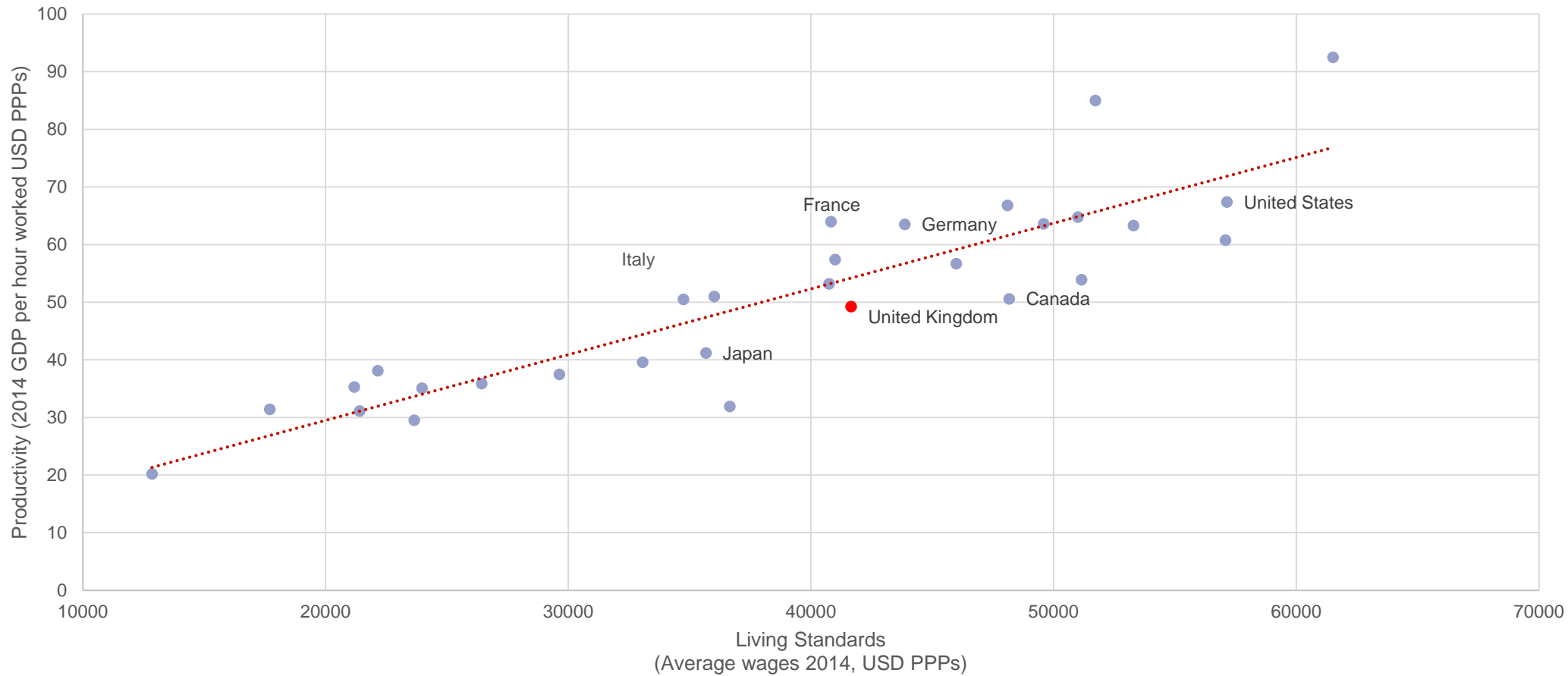
Current and previous estimates of US and UK productivity growth



Source: *Economic and Fiscal Outlook, OBR, Autumn Statement 2015*

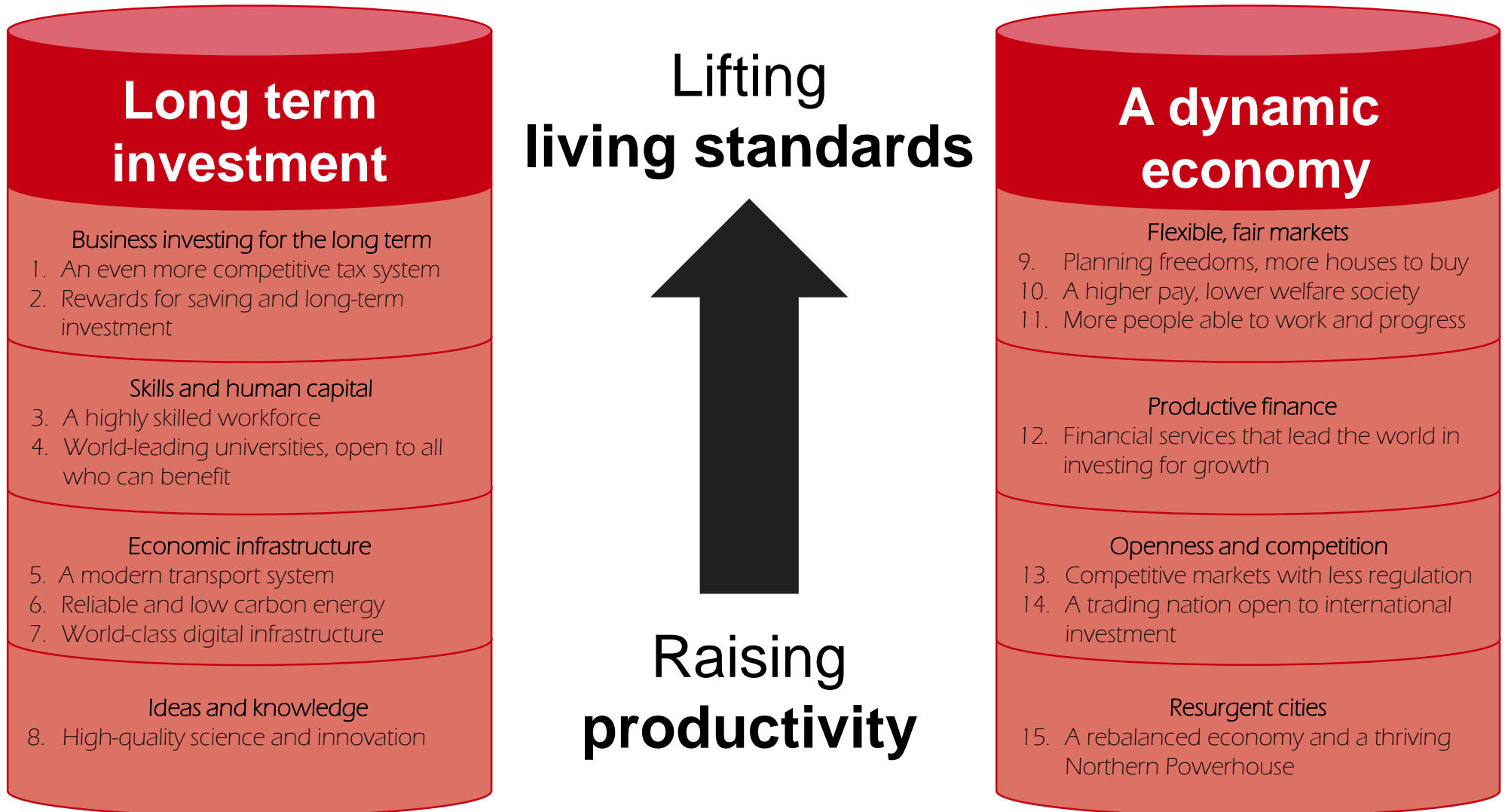
Tight relationship between productivity and living standards

Productivity and Living Standards



Source: OECD Dataset

A framework for raising productivity



UK policy measures spurred by the Productivity Plan

Business investing for the long term

- Cutting the UK's Corporation Tax to 18%, the lowest in the G20

Skills and human capital

- From 2017 introduce a levy to fund the step change needed to achieve 3 million apprenticeship starts and boost their quality

Economic infrastructure

- Creating a Roads Fund and reforming Network Rail to deliver faster, more reliable and more efficient railways
- Establishing an independent National Infrastructure Commission

Ideas and knowledge

- Putting higher education funding on a more sustainable footing

Flexible, fair markets

- Bring in a new Living Wage
- Introduce a reformed planning system to ensure more land is made available for house building

Productive finance

- A joint New Bank Unit to promote competition in banking

Openness and competition

- Remodel the Government's delivery of support to trade and investment
- Competition plan to cut red tape and open up markets, bringing down costs for families and firms

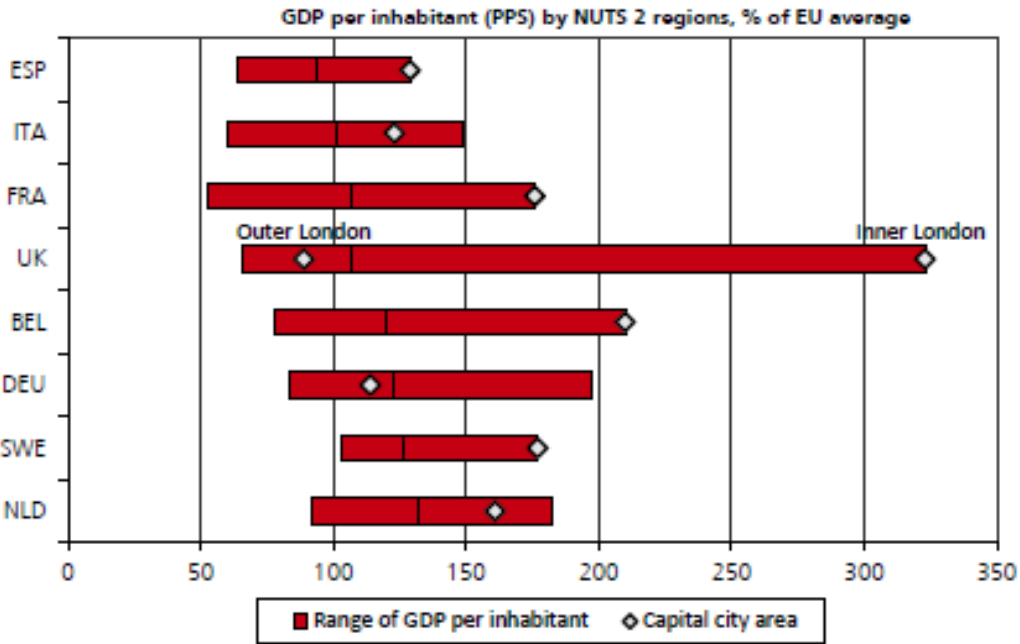
Resurgent cities

- Building a Northern Powerhouse and ensuring the productive potential of all parts of the UK is realised

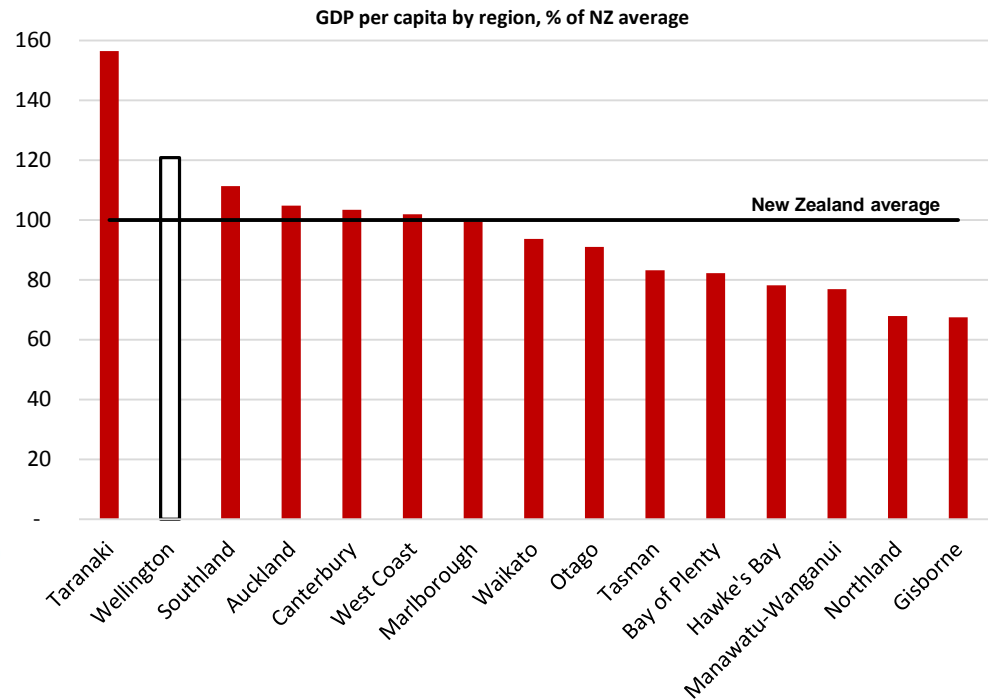
UK policy measures to support science and innovation

- Protected Science spending and investment
 - £4.7bn in spending for the next five years, together with £6.9bn of investment into the UK's research infrastructure up to 2021.
- Protecting expenditure on Catapult centres, the Aerospace Technology Institute (ATI) and the Advanced Propulsion Centre (APC).
- Additional financial support for mature and part time students wishing to attend University.
- From 2017-18, the UK government will make tuition fee loans available to those students wishing to do a second degree in a STEM subject.
- An additional £250m of investment over 5 years in an ambitious nuclear research programme.
- £600 million of investment to support uptake and manufacturing of ultra-low emission vehicles (ULEVs) in the UK.

Importance of balanced regional growth

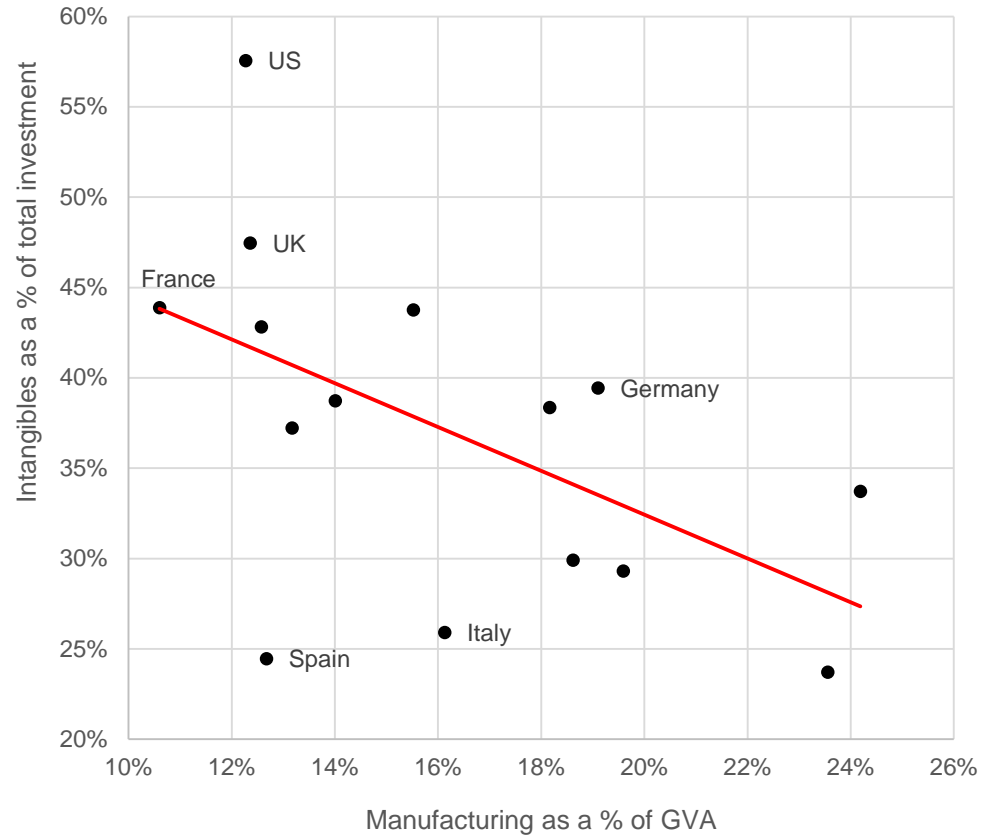
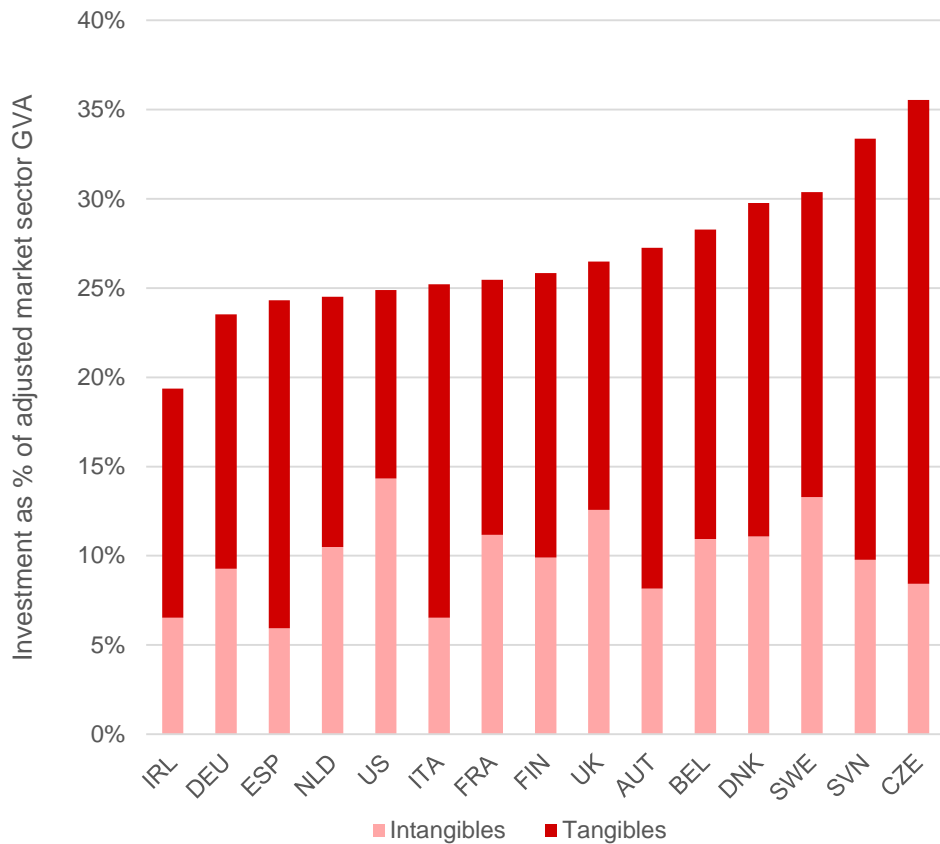


Source: Eurostat



Source: Statistics New Zealand

Measuring the modern economy



Source: HM Treasury calculations, OECD

Conclusions

- Complexity and uncertainty
- Firm level analysis
- Measurement
- Approach to policy
- Institutions
- Learning: networks, hubs, peers