GFP Conference, 8-9 July 2021, Venice
“The human side of productivity”
Closing remarks (10 minutes)
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- Since the start of the GFP, six years ago, part of the work has focused on better understanding the sources and drivers of the productivity gap between leading and lagging firms.

- The finding of this growing productivity gap was significant in that it revealed that the main source of the slowdown in overall productivity was not so much a slowdown in innovation by the globally most advanced firms, but more a breakdown in the diffusion of innovation from these firms to the rest.

    - *This gave more hope that technological advances would eventually translate into higher overall productivity, if only we could solve the diffusion problems*.

- Some of the evidence reported just now by **Giuseppe Nicoletti**, showed that the difference in performance between leading and lagging firms is to some extent related to the dispersion in the adoption of digital technologies across firms.

- And, this has raised the question of why some firms are doing so much better than others at seizing opportunities to adopt digital technologies and making the most out of them.

- Earlier evidence had already pointed out to the **importance of complementary investment in intangible assets and in particular the role of investment in technical and managerial skills,** along with investment in organisational capital.

- However that earlier evidence was inferred from a combination of firm-level data on technology adoption with aggregate information or measures of managerial practices and skills of the workforce. This was definitely insightful but could not tell so much about the more specific characteristics of firms that were most succesfull.

- **One major contribution from many papers presented at this Conference** is precisely to shed much further light on these characteristics and the extent to which they shape the differences in the productivity performance across firms.

- The project on the **human side of productivity** is providing far more specific insights on the importance of managerial skills, the level of education of employees inside firms as well as the characteristics of firms that achieve higher levels of skills. It also provides evidence about the impact of close family ties between owners and managers.

- We know for instance that best performing firms in knowledge-intensive industries have a higher share of managers, as well as a more diversified pool of employees, both gender-wise and culture-wise.

- Thanks to the many insights from employer-employee database, notably those presented in the **second webinar**, we know more about the detailed characteristics of more successful managers, and how these can influence for instance the risk of financial distress among small firms, a focus often missing in earlier work in this area.

* From the work presented yesterday by **Peter Gal**, we have some estimates of how much of the productivity gap between leading and lagging firms could be closed if the latter were able to match the skills structure of the former. And the estimates suggest that it can be substantial.

  - Now, insofar as the productivity gap between leading and lagging firms has been growing since the early 2000s, one related question that perhaps future extension of this work could clarifiy is whether differences in the skills mix have also been growing over time in favour of frontier firms.

  - Could it be instead that the differences have remained more or less constant but other factors such as the growing importance of intangibles means that differences in the skills mix has become more and more relevant?

  - Extending the work to look more closely at the complementarity between employees, managers and capital as suggested by Peter, could be very useful, including in shedding light on this more dynamic question.

* One challenge that comes out from this very rich line of work is how to translate these valuable insights into concrete policy implications. How can policy makers help businesses – especially SMEs -- to close the skills gap? Is it mainly a matter of stronger competitive pressures and market selection or are there genuine market failures that governments can help address through intervention?

* Several policy areas were mentioned through the various sessions. Some of these, such as facilitating resource reallocation and labour mobility are good, general framework policies, but in some of the more specific areas such as management training and information campaigns, identifying good practices may be less obvious. So exploring and documenting the experience from countries in these areas could be very useful.

* **Overall**, what we heard through the 2-days conference came across as a fairly optimistic message about the scope of digital technologies to eventually hold their promises and deliver a productivity revival.

    - We seem to be moving past the debate between techno-optimists and techno-pessimists even though there remains considerable policy challenges to make the productivity pay-off happen.

- But it was good also to be reminded about how much benefit were already being harnessed, at least in the form of output resilience, if not in the form of productivity growth. The presentation in the third webinar by **Janice Eberly** made a compelling case by providing estimates of how much output losses had been avoided thanks to digital technologies and investment in complementary capital.

- Even on that front of course, not all is well, especially if one considers the inequalities in access to digital technologies. Inequalities across countries, across regions and across socio-economic groups.

    - One consequence has been substantial differences across students in the number of schooling days lost due to the pandemics, an important source of inequality of opportunity. As highlighted by **Oriana Bandiera** in her keynote presentation, this in itself is sowing the seeds for future misallocation as it narrows the talent pool, with implications for skills matching and productivity.

  Looking ahead, one of the key questions is whether the accelerated digitalisation prompted by the COVID crisis will contribute to narrow the productivity gap between leading and lagging firms, or to the contrary, accentuate the gap.

    - By forcing lots of small firms to go digital in order to continue serving customers – as we just saw from the jump in platform use -- one might think that this could pave the way for laggards to catch-up. The positive assessment reported earlier today from a majority of firms of the experiment with massive teleworking also suggests that productivity could benefit from new working arrangements.

    - However, the crisis could also lead to an acceleration of killer acquisitions by dominant firms, insofar as the financial situation of many small firms has become more fragile, and that innovative young firms may face even higher financial barriers to investment in intangibles.

    - More generally, it is not clear that accelerating digitalisation has diminished the forces leading to winner-takes-most dynamics and stronger market concentration. Some of the presentations highlighted a crucial question about the **type of competition and data management policies** that are needed to ensure that the deployment of big data and AI is supportive of production and job creation, and does not lead to excessive concentration and a means to protect rents. These are issues that we will continue to explore at the OECD.

- To sum-up, this Conference, along with the webinars that preceeded, has clearly been a real success in achieving the main purpose of the **Global Forum,** which is to help advancing the research on the sources and drivers of productivity and also to promote the dissemination of research outcomes through events such as this one.

I want to finish my remarks by thanking all the participants on behalf of the OECD. The quality of papers, presentations and panel exchanges was truly impressive and generated very insightful discussions. I also want to thank again our hosts and co-organisers, the **Italian ministry of economy and finance,** the **Bank of Italy and the G20 Presidency**, for their hospitality and impeccable logistic. I want to thank the GFP team at the **OECD**, who has worked day and night to make this first hybrid conference happen and function smoothly.

Finally, the Conference was made possible thanks to the support that members of the GFP are providing. We hope that you continue to find this a very useful contribution to the policy agenda on productivity issues. Keep in mind that new members are always welcome.