

SPEECH BY THE MINISTER OF FINANCE, MÁRIO CENTENO

Conference of the Global Forum on Productivity

OCDE

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Minhas senhoras e meus senhores,

Estimados convidados,

É um prazer dar-vos as boas-vindas ao Fórum Global da OCDE para a Produtividade. É com muito orgulho que o Governo português acolhe este evento sobre um tema central para que as nossas economias possam crescer de forma sustentada e inclusiva: o incremento da produtividade. Ao acolher este Fórum, o Governo também reafirma o seu empenho em pensar o país a médio e a longo prazo, um país que está plenamente integrado num espaço económico internacional. É também um sinal do nosso empenho em implementar reformas estruturais criteriosamente pensadas. Permitam-me, para benefício dos nossos convidados, continuar o meu discurso em inglês.

Let me welcome you, also in the name of the Portuguese Government, to the very first official meeting of the new OECD Global Forum on Productivity. It is with great satisfaction that I see so many of us, almost 200 participants from more than 40 countries, gathered in Lisbon in these two days, to discuss one of the key challenges our economies face: ensuring sustained and inclusive productivity growth. We all know that tackling great challenges needs joint efforts and we can only succeed in this endeavour if we work together. Fostering international cooperation is precisely the aim of this Global Forum and it is what brings us all here today.

Productivity growth is slowing and, unfortunately, these are not breaking news. For many OECD economies, it started already in the mid-1990s. Let me state the facts: productivity growth is declining while we have more and



more educated workers, better technology at our disposal and deeper integration namely via the so-called global value chains. To solve this paradox - the “productivity paradox” - we must, on our end, be as productive as possible. Let us have no illusions: the clock is ticking and we need to act now: first by (i) identifying the roots of the paradox, disentangling cyclical and structural causes; then by (ii) understanding its past, present and future consequences and, finally and foremost, by (iii) taking bold, ambitious policy action. This is our joint to do list, for this conference and for the years to come. Let me take the next few minutes to elaborate on each of these three unavoidable tasks.

To start with, we need to understand the sources of the productivity slowdown. This was covered yesterday by our



distinguished speakers and the intense discussion that followed. [Before dwelling into the possible cyclical and structural causes, let us take a moment to remind ourselves that productivity measurement is in itself a major challenge: how to quantify human capital, how to fully capture all the dimensions of the digital economy or how to encompass the new business models that we have been witnessing are questions for which we do not have a definitive answer. Data issues aside, there are important national specificities, and different countries face different challenges. Still, there are a number of regularities that seem to emerge. Cyclical factors are certainly playing a role, as, for instance, investment is still below pre-crisis levels in many economies - and this in itself may have important structural consequences going forward. But there are also important structural changes that act as a drag on growth. An increasingly services

based economy, more labour intensive, pushes productivity growth down. At the same time, the evidence indicates that the most productive firms - let us call them the frontier firms - continue to grow. But the diffusion machine, the one that ensures that firms outside the frontier also grow, may get broken along the way, increasing dispersion in productivity across firms, as discussed by one of our panels yesterday.

The discussion on productivity can also be enriched if we take into account the concept of mobility of labour. Without wanting to go into very much detail on this point, I ask you to include mobility - or lack of it - as a factor which can improve or block productivity.

And this leads me to the consequences, the second item in our “to do” list, and the topic of one of the sessions yesterday. Increased productivity dispersion means



increased wage dispersion, which, together with the unacceptable high numbers unemployment, and in particular structural unemployment, increase inequalities in our societies. We must thrive to improve our living conditions but we cannot settle for anything less than broad-based, broadly shared benefits, spread also across the most disadvantageous. This can only be achieved if we promote productivity gains coupled with job creation.

This brings us to the last point in our “to do” list: act. Take policy action. This will keep us busy for the rest of the day, in this last day of the conference, and - if you allow me the prediction - for many years to come. Here, national governments have important responsibilities and the Portuguese Government is no exception: tackling productivity challenges is a top priority and the National Reforms Programme, published in April this year, sets a



clear, concrete and overarching reform agenda to promote inclusive productivity growth. We already have in motion a set of measures to promote a skilled labour force, both by enhancing the outcomes of students and by upskilling those already in the labour force, not forgetting the long-term unemployed. Also, we are fostering innovation, by promoting the cooperation between higher education and companies and by supporting young firms. This, coupled with effective mechanisms of firm capitalization and with determined actions to modernise our administration, will allow the creation of new firms, will allow small firms to grow and will allow firms to thrive, promoting productivity growth and job creation. And to make sure that these gains are shared by all, we devised a set of concrete actions promoting territorial and social cohesion, leading us to a more inclusive, prosperous society.



This being said, national governments cannot act alone. Deepening the links between firms in different sectors and countries over time is a key driver of productivity growth. At the same time, it also increases the channels for contagion and thus, going forward, coordinated action and impact assessment analysis are essential. This is why we are committed in keeping an open, constructive dialogue with different stakeholders, including civil society and international institutions.

The Global Productivity Conference, which we proudly host, is precisely the reflection of this engagement. The end of our conference today is the beginning - or, to be accurate, the continuation - of a long-lasting cooperation across all of us. The conference is answering some questions but it is opening many more. This is how policy making evolves. Let us take the opportunity of the Global



Forum to intensify our cooperation and to improve our policy response. And, by doing that, promote better policies for better lives, the OECD motto.

Thank you.