

Article

UK productivity: introduction

Article introducing a new publishing regime for productivity statistics and inviting user feedback.

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Release date:
7 April 2016

Next release:
To be announced

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1. UK Productivity: introduction

The UK has experienced nearly a decade of historically low productivity growth. The below trend rate of productivity growth has left a significant shortfall in economic activity, taxes and international competitiveness – but not in employment – compared with what would have happened had pre-2007 trends persisted.

This phenomenon, commonly referred to as the ‘productivity puzzle’, is one of the defining economic issues of the day. The puzzle is important for policymakers who need to assess the short-term behaviour of the economy – particularly the degree of spare capacity available. It also matters for those wishing to understand the implications for longer run economic performance which depends crucially on the rate of productivity growth.

The Office for National Statistics (ONS) has undertaken significant analysis, alongside many other organisations, on this issue since 2008 to understand this phenomenon and attempt to explain it. We will shortly set out our forward plan for future research into the behaviour of productivity and potential improvements in measurement.

For the first time, in this release ONS brings together all the relevant statistics on productivity in a single publication, and will continue to do so on a quarterly basis. This should provide users with greater clarity and insight into the story behind the different statistics, and how this fits with broader economic trends, both in the UK and abroad.

This first edition of the UK Productivity release contains new statistics, commentary, summaries of recently published statistics, and methodological information – especially on new developments. Content will vary quarter by quarter as methods evolve and new information becomes available. Typically it will include items such as:

- quarterly labour productivity estimates
- quarterly public service productivity estimates
- annual multi-factor productivity, regional and international comparisons

Accompanying commentary will explore common themes and divergent patterns in the different metrics that we publish. The UK Productivity release will also act as a reference point for new development work, and for explanation of how different productivity statistics compare in terms of data and methodology.

It is expected that an annual summary of regional statistics will be published in January of each year.

We are keen to collaborate with users and stakeholders, to hear your views and data requirements. The inbox productivity@ons.gsi.gov.uk offers a common gateway to provide comments. We are particularly interested in hearing your views of this new approach to publishing productivity statistics.

2. This edition

This first edition of the UK Productivity release is published in 4 parts for ease of access, each of which can be accessed from our website. The parts serve different purposes, but with the common aim of providing different viewpoints on UK productivity.

This release contains:

- Productivity bulletin: Introduction – a short overview of ONS productivity statistics and main concepts
- Productivity bulletin: Labour productivity, Q4 2015 – regular quarterly publication of our latest estimates and associated commentary
- Productivity bulletin: New nowcasting methods for more timely quarterly estimates of UK total public service productivity: a methodology note – explaining how we propose improving measures of the productivity of the UK public services, and their timeliness. We are seeking user comments on this document
- Productivity bulletin: A review of regional and sub-regional productivity statistics – a short article bringing together for the first time regional and sub-regional analyses at the NUTS 1, 2, and 3 level
- Productivity bulletin: International comparisons of productivity (ICP) – a short article providing a summary of our recent international comparison statistics, comparing and contrasting these to labour productivity measures

3. Main concepts

The statistics discussed within this release are currently produced under a variety of methodologies. These methodologies are kept under review, with a view to bridging some of these differences.

The following basic methodological notes currently apply.

The national labour productivity statistics published in our Labour productivity statistical bulletins are compiled by dividing gross value added (GVA) estimates drawn from the Quarterly National Accounts by measures of workers, jobs and hours worked that are compiled as consistently as possible with the compilation of GVA. Importantly, jobs estimates used to compile output per job are not identical to our estimates of 'workforce jobs', which are widely used in other statistics. Labour productivity statistics include productivity measures for the market sector but not currently for the non-market or public sectors.

The regional labour productivity statistics discussed in A review of regional and sub-regional productivity statistics are consistent with labour productivity statistics. However, whilst NUTS 1 estimates are calculated using quarterly data in line with the national estimates, NUTS 2 and 3 estimates use the same data on an annual basis.

The proposed quarterly Public service productivity statistics use source data from the Quarterly National Accounts (from the expenditure approach rather than the output approach), and will in future be benchmarked to existing annual estimates which apply quality adjustments in line with the recommendations of the 2005 Atkinson Review.

The International comparisons of productivity are labour productivity metrics measured in purchasing power parity (PPP) terms, rather than at current exchange rates. The source data for these estimates are taken from the Organisation for Economic Co-operation and Development (OECD) which, while harmonised across different OECD countries, may be different from national sources.

The Multi-factor productivity estimates are methodologically distinct from the labour productivity metrics described above. Excepting public service productivity, all the estimates above focus exclusively on labour inputs to the production process, meaning that the effect of other economic inputs, such as tangible and intangible capital or the way different inputs work together, are implicitly captured in the resulting labour productivity metric. Multi-factor productivity analysis looks to quantify the separate impacts of changes in labour inputs, changes in capital inputs, and changes in the way firms bring these together.

Because of these differences the statistics in the release cannot always be directly compared. However, together they can be used to give different perspectives on productivity performance in the UK.