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Sectoral Skills Intensity and Global Productivity Slowdown in Europe, Japan, Russia and US

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In this paper we explore the differentiated patterns of value added and productivity growth performance (both labour and total factor productivity growth) in four large economies – EU, Japan, Russia and the US – and document the patterns of the widely recognized productivity slowdown (specifically in the period after the global financial crisis). Doing so, we analyse the changes in the various contributions of input factors (hours worked, labour composition, ICT and non-ICT capital) and total factor productivity (TFP) differentiating between high- and low-skill intensive industries. For this exercise we make use of the recent release of Russia KLEMS and the (preliminary results) of the EU KLEMS Release 2019. The descriptive results of this paper enrich the literature on the global productivity slowdown to the most recent years and highlight differences across economies and industries as a base for further analysis. We find that that in all four economies TFP slowdown was particularly biased towards the low-skill intensive industries. The thus increasing role of high-skill intensive sectors in the post-crisis TFP growth performance is a new phenomenon, which deserves more attention. At the same time, the aggregate TFP slowdown continues after the crisis (Japan is an exception). The positive impact of high- skill intensive sector is not strong enough to circumvent an overall productivity slowdown of the low-skill intensive industries. The structural change effect towards a higher share of the skill-intensive industries is negligible and thus not contributing to the overall post crisis performance.