



# A4: Productivity

One of the most important factors in determining living standards is productivity – how much output is produced for a given input (such as an hour of work).

The more efficient the economy is, the more that can be produced in a sustainable fashion. In other words, higher productivity growth leads to a higher long-term growth rate of the economy.

Economic theory states that labour productivity also determines wages: the more productive an employee is, the more they are likely to be paid.

## UK productivity

Historically, UK labour productivity has grown by around 2% per year but since the 2008/2009 recession it has stagnated. The level of labour productivity in Q3 2018 was 1.7% above what it was over 10 years earlier in Q4 2007 (the pre-recession peak level).

Productivity levels are 1.7% above the pre-financial crisis peak of late 2007

### Productivity - output (GDP) per hour

	% change on qtr	% change on yr
2016	..	0.5
2017	..	0.9
2017 Q4	0.7	1.2
2018 Q1	-0.6	1.0
Q2	0.5	1.6
Q3	-0.4	0.2

Source: ONS series TXBB, LZVD

### Productivity level (GDP per hour)



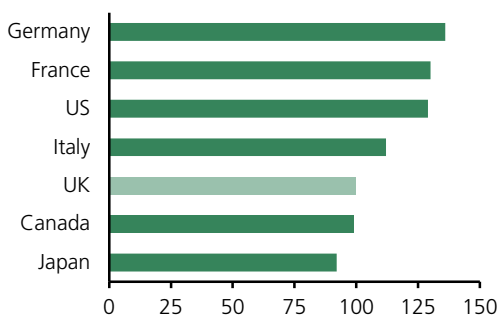
Productivity fell by 0.4% in Q3 2018 compared with the previous quarter, as hours worked increased faster than economic growth. This follows a rise of 0.5% in the previous quarter. Compared with a year ago, productivity was up by 0.2% in Q3 2018, down from 1.6% in Q2.

## International comparisons

International comparisons of productivity levels are presented in the chart below as an index where the UK=100.

### Productivity (GDP per hour), 2016

Index where UK=100



In 2016, ranked on GDP per hour worked, the UK came fifth highest out of the G7 countries, with Germany top and Japan bottom. UK productivity was 16% below the average of the rest of the G7 countries, the largest since at least 1995 (when the ONS data series began).

Recent [new evidence](#) from the OECD showed that the UK's productivity gap with the G7 average is not as great as previously thought, due to the different ways countries measure hours worked. The ONS is exploring this research.

## Subject Specialist

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## Updates

ONS, [UK productivity flash estimate](#), 19 Feb 2019

ONS, [International comparisons of productivity](#), date to be announced