

Editors' Overview

This edition of the *International Productivity Monitor*, No. 42, is a particularly large one (211 pages) as it not only includes four substantive articles as part of our regular line up, but also four articles which represent the first part of our Symposium on Productivity and Well-Being. In this overview we will discuss the other four articles. A separate introduction to the Symposium follows after the first four articles in this volume.

The first two articles make use of input-output data and analysis to better understand the productivity impacts of inter-industry intermediates on productivity. The article by **Tero Kuusi** and **Martti Kulvik** from the Research Institute of the Finnish Economy and **Juha-Matti Junnonen** from Tampere University focuses specifically on the construction industry which has been notorious for weak productivity growth across many countries. By constructing a data set on construction value chains for 12 European countries using data from the World Input–Output Database, the authors find that the upstream industries have been responsible for most of the productivity growth of the value chain in construction. They find an especially large contribution from business services to productivity in the value chain. The authors also find that value chain productivity has much benefited from construction-related patents but have suffered from low efficiency in the use of information technology because of major adjustment frictions.

The second article using input-output data and techniques by **Daniel Lind** of Arenagruppen focuses on the impact of intermediate imports from China on manufacturing productivity growth in high income economies. He finds that productivity in the latter group of countries hugely

benefited from the “China shock”. This is complementing earlier work by David Autor and others which primarily focused on the effects of intermediate imports from China on labour market. In addition to the effects on value added and employment (and hence on productivity), the author also hints at the role of reduced producer prices and functional specialization in the use of knowledge-intensive intermediate inputs to explain the large productivity effects. The author also points at an even larger productivity effect from intermediate imports from Eastern European economies, whereas intra-trade of intermediate between high income economies has weakened productivity.

The third contribution by **Ulrich Kohli** from the University of Geneva returns to a well-established but still unresolved topic on how to measure trading gains and terms of trade effects on measures of welfare and how to link them in an analytically correct way to productivity. The author shows that most countries, except Canada and the United States, only compute a terms-of-trade effect on income, but fail to take into account a real exchange rate effect which results from the relative-price component when trade is not balanced. This omission also has implications for the relationship of income to productivity as it does affect measure of average and

marginal productivity.

The final contribution in our line-up of regular articles is a timely topic looking at how productivity measures have been affected as a result of the COVID-19 pandemic. In his contribution, **Jay Stewart** from the U.S Bureau of Labour Statistics shows how labour productivity and real wages in the United States sharply increased when the pandemic began in the second quarter of 2020. This appears to be the result of a compositional effect on productivity because many low skilled people dropped out of the labour market especially because of the temporary shutdown

of firms in leisure and hospitality and other low wage sectors. Indeed an increase in the average levels of skills accounted for the bulk of the extraordinary productivity gain during the quarter. The article shows that as average skills levels have still not returned to their pre-pandemic state, further analysis of how the pandemic has not only created but potentially medium- or long-term effects is needed.

An editorial introduction to the four articles which are published as the first part of our Symposium on productivity and well-being is provided separately.