



Essays on Economic Policy (ESPE in Spanish) - Structural Changes and Labor Productivity Slowdown in the Euro Area

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Labor productivity in the euro area briefly surpassed that in the United States in the mid-1990s, but has been falling behind since then. Identifying the reasons for the sluggish growth of labor productivity in the euro area is crucial to guide an effective policy response. In particular, if it reflects relatively weak growth in total factor productivity (TFP), as suggested by several analysts (European Commission, 2003), would point to problems with technology adoption and managerial efficiency. Slower capital deepening (growth in the capital-labor ratio) would signal a change in the relative benefits of investing in capital vis-à-vis hiring labor. The productivity surge in key high-tech sectors in the United States may also be crucial to explain the performance gap (for instance, see O'Mahony and van Ark, 2003).