

Stagnation of productivity in France: a legacy of the crisis or a structural slowdown?

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Key question

A slowdown in productivity has been identified by numerous studies in most advanced countries, before or at the time of the crisis which began in 2008. This change has been analysed either as an effect of the crisis, resulting from the financial and demand shocks, or as a more structural decline in the effects of technical progress. This article examines the causes of this slowdown in France, using both macroeconomic data and firm-level data.

Methodology

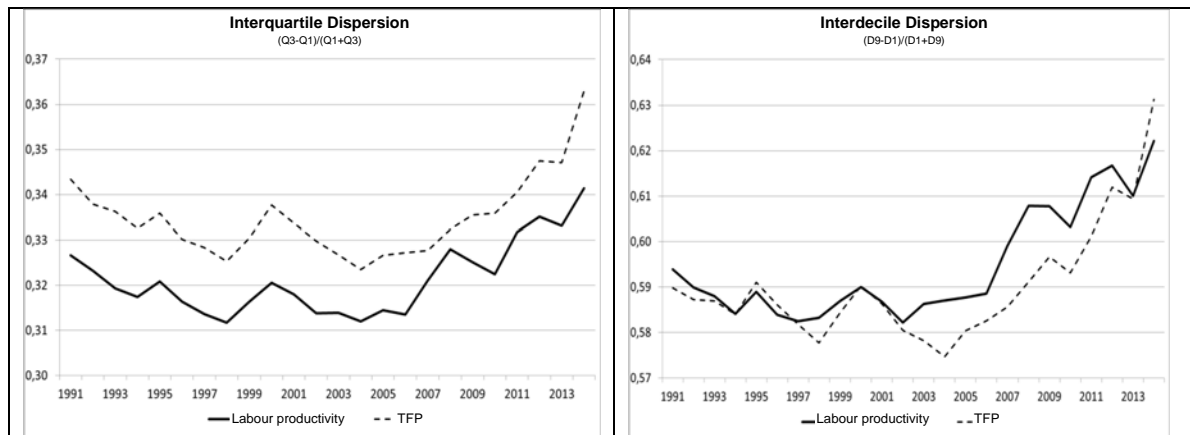
Using macroeconomic and microeconomic data, the article identifies downward breaks in the trends of labour productivity and total factor productivity (labour, capital) in France over the 1990s and 2000s. Productivity at the frontier, the dynamic of convergence and the dispersion of productivity are also examined with firm-level data.

Main results

Labour productivity and total factor productivity slowed down in the 2000s according to the all data. With macroeconomic data, the slowdown is observed at the start of the 2000s, before the crisis. Using firm-level data, it is highlighted that:

- with very few exceptions, the slowdown of the decade of 2000 is observed for each firm size and business sector; productivity growth is then at its weakest since the start of the 1990s;
- productivity growth of the most productive firms, at the technological frontier, does not suffer a visible drop in the 2000s, which would belie, at least for France, the idea of a decline in the effects of technical progress;
- the convergence of follower firms towards the technological frontier would not have decreased over the 2000s, which would go against the idea of a weakening in the dissemination of the most productive firms' innovations towards the other firms;
- the dispersion of the levels of productivity increased in the 2000s, which suggests a less efficient allocation of factors of production to the most successful firms.

Indicator of firms' productivity dispersion



TFP: Total factor productivity – Coverage: whole market economy except for the financial sector. Metropolitan France and Overseas Departments
Sources: authors' data from *Fiben*, Banque de France; unbalanced panel; authors' calculations.

Main message

Firms experienced different shocks in the 2000s (globalisation, emergence of information and communication technologies, financial crisis) which would have required reallocations. However, the latter were hampered by diverse rigidities on the labour and product markets. The article advocates the implementation of structural reforms to promote a more efficient allocation of productive resources and to reinforce the dynamics of the productivity sustained by the ongoing technological revolution of ICT and the digital economy.