THE PRODUCTIVITY PARADOX
Technology has made work easier. Are we getting more productive?

Technology has improved by leaps and bounds, making productive tasks easier and more efficient.

Maps → GPS
Libraries/Archives → Search Engines
Snail mail → Email/Messaging apps
Typewriters → Word processors
Manual book-keeping/inventory → Point-of-sale systems

But this is not translating to labor productivity growth.

Labor productivity is how much value each worker contributes. It could be measured as gross domestic product divided by total number of hours worked. In a competitive market economy, workers' incomes should grow as labor productivity grows.

Despite the promises of better technology, labor productivity growth has been on a downward trend.

GROWTH OF LABOR PRODUCTIVITY IN APEC, 2000-2017

Industrialised APEC economies
Developing APEC economies

Why is this happening?

The digital economy hasn’t been measured accurately.

Poor investment climate:
Lingering pessimism from past economic crises coupled with an uncertain policy environment.

The newest technologies may only benefit a few leading firms.

Workers are being left behind, skills-wise.

What can be done?

Survey the digital economy: Review economic statistics and methods, improve data sharing.

Promote business dynamism: improve infrastructure, adapt regulations to digital world, reduce policy uncertainty.

Invest in people, too: Support R&D and innovation, develop human capital and skills, promote reskilling and lifelong learning.

Moore's Law describes the trend of transistors per microchip doubling every 2 years, allowing computers to be more powerful, smaller, and cheaper.
GROWTH PROCEEDS AT A MODERATED PACE AS RISKS INCREASE

The pace of APEC’s expansion moderated as risks rose.

APEC is expected to grow slightly higher in 2018 and moderate in 2019-2020, still outpacing the rest of the world.

Growth in the value of merchandise trade showed minimal gains ...

... while growth in the volume of merchandise trade declined.

Uncertainty has tilted risks to the downside, both in the short-term and medium-term.

To ensure growth that is balanced, sustainable, and inclusive, APEC needs to:

DOWNSIDE RISKS:
- Protectionist measures that could pull down trade growth
- Policy uncertainty (monetary, fiscal and trade policies)
- Upward trend in commodity prices and inflation rates combined with exchange rate pressures
- Episodes of financial market volatilities

UPSIDE POTENTIAL:
- Continued pick-up in global economic activity
- Sustained strength in domestic consumption

BOOST RELIABLE SOURCES OF GROWTH:
- Domestic consumption
- Private investment
- Services sector

HARNESS FUTURE DRIVERS OF GROWTH:
- Digital economy
- Green technology
- Greenfield investments
- Productivity-enhancing reforms

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