

## Portugal - Conselho para a Produtividade (CPP)

### Activity for 2019-2020

#### 1. Foreword

The activity of CPP will continue to support state policies through monitoring and evaluation from a productivity perspective and, based on the disclosed results, to contribute to the public discussion and to present recommendations to improve their efficiency and enhancing resource allocation.

CPP takes advantage of the resources and the knowledge of two institutions that already perform research in the field of productivity and have experience in the production of policy-making analysis, as well as participation in international *fora* oriented to the discussion of these subjects: The Office for Economic Policy and International Affairs of the Ministry of Finance and the Research Office of the Ministry of Economy.

Moreover, it will take advantage of the contributions of the advisory council and cooperate with different stakeholders in order to potentiate the use of its resources and to improve the quality of its work.

#### 2. Activities for 2019-2020

CPP will develop, in coordination with its main stakeholders:

##### Knowledge and Research

- To develop applied **research on the main determinants of productivity in Portugal** based on the diagnostic made on the 1<sup>st</sup>. year report (research proposals below)
- To **cooperate with stakeholders** in researching the effects of state policy on productivity (e.g. R&D, skills, investment)
- To identify **research priorities** for the near future (next 3 years)
- To **incentivize new empirical research** on productivity in Portugal through the issuance of a call for papers
- To **organize a workshop** on productivity determinants in cooperation with stakeholders (e.g. with the OECD under the WPIA meeting in September 2019)
- To reinforce the **working paper series** – available online on the CPP website
- To keep track on **theoretical and empirical developments** on productivity
- To **participate in international *fora*** focused on productivity (e.g. OECD, EU)

#### Data and monitoring

- To participate in the development of a **scoreboard / composite indicators focused on productivity** to be updated annually, in consultation with the National Statistical Council
- To update the **dataset of productivity indicators** that would be available online on the website
- To present a **sectorial view of productivity indicators** based on Multiprod / Compnet
- To implement the OECD survey on the **financial literacy** of entrepreneurs and managers of small and micro Portuguese firms (in cooperation with IAPMEI, financial supervisors and possibly Portugal Statistics)
- To cooperate with other NPBs and international organizations (OECD, EU) to develop **best practices in the compilation and disclosure of productivity statistics**

#### Publicity and transparency

- To organize the **II Annual Conference on Productivity** (1st quarter of 2020)
- To publish the **2<sup>nd</sup> Annual Report** on Productivity
- To **show CPP's work** to academia and research centres
- To implement a **prize for young researchers** on productivity
- To develop the CPP website to become a more requested tool for those that want to access knowledge and information on productivity and to **monitor the access to CPP's website**
- To publish the **recommendations of the independent advisory council**.
- To develop **links with stakeholders** (Economic and Social Committee, employers, unions, etc.) to receive their feedback on CPPs work
- To have a regular presence on **specialized media** discussing productivity issues
- To publish a **report** for CPP activities in the first two years

### **3. Research projects for 2019-2020**

#### a) Investment

According to Alexandre et al. (2017), capital accumulation was the main contributor to the production's increase in Portugal between 1970 and 2014 while the reduction of economic growth registered in the beginning of the XXI century was mainly due to the decrease of capital stock and productivity growth. In fact, the levels of investment in the Portuguese economy in the last few years have been low and are probably affecting productivity negatively.

In order to better understand the dynamics behind the recent developments of this important macroeconomic variable, we will develop an analysis focusing on the main investment indicators as well as on survey information, complemented with an empirical evaluation to identify its drivers, and making an overview of the measures implemented with the aim to boost it. The work developed will put together different data sources, decomposing aggregate

investment, and include an empirical (DSGE) exercise with different scenarios of investment growth.

b) The impact of R&D tax incentives (SIFIDE) on productivity

Fiscal incentives have increasingly been used in several countries as the main policy tool to stimulate business R&D. While several studies have evaluated the impact of such fiscal incentives on R&D investment, less evidence exists concerning the impact of these incentives on the efficacy of R&D investments. The purpose of this study is to evaluate whether tax incentives, and thereby R&D investment, contribute to significantly affect productivity gains among the firms benefiting from such incentives and (pending data availability) what type of R&D investments (i.e. related to the development of innovative products or to changes in the productive process) can be more productivity enhancing.

This analysis will be conducted by merging data from SIFIDE - *Sistema de Incentivos Fiscais ao Investimento em Investigação e Desenvolvimento*, which contains information on the characteristics of the R&D project benefiting from tax incentives and SCIE data, which provides financial and economic data on non-financial corporations operating in Portugal. Data is available from 2007 to 2015, which allows taking into account for the effect of policy changes involving the design of the incentive schemes.

c) The impact of human skills on productivity

Competitiveness pressures and structural transformation driven by globalization and technological developments have intensified the demand for higher skilled workers. The purpose of this research project is to analyse the impact of higher levels of education and human capital accumulation on productivity growth of Portuguese industries.

This analysis will be conducted by merging data from “Quadros de Pessoal” and SCIE for the period between 2010 and 2017. “Quadros de Pessoal” contains employer-employee data for all firms with at least one employee and SCIE data includes financial and economic information on firms. This rich set of micro-based (firm level and employee level) data allow us to discriminate between the impact of different types skills (i.e. formal education, experience and on-the-job training) on productivity across sectors and for different types of workers (e.g. managers and other professionals) while controlling for relevant firm and sector characteristics.