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# What's behind the productivity decline?

*Work has undergone a revolution. To get the most out of employees, HR policies need to catch up.*

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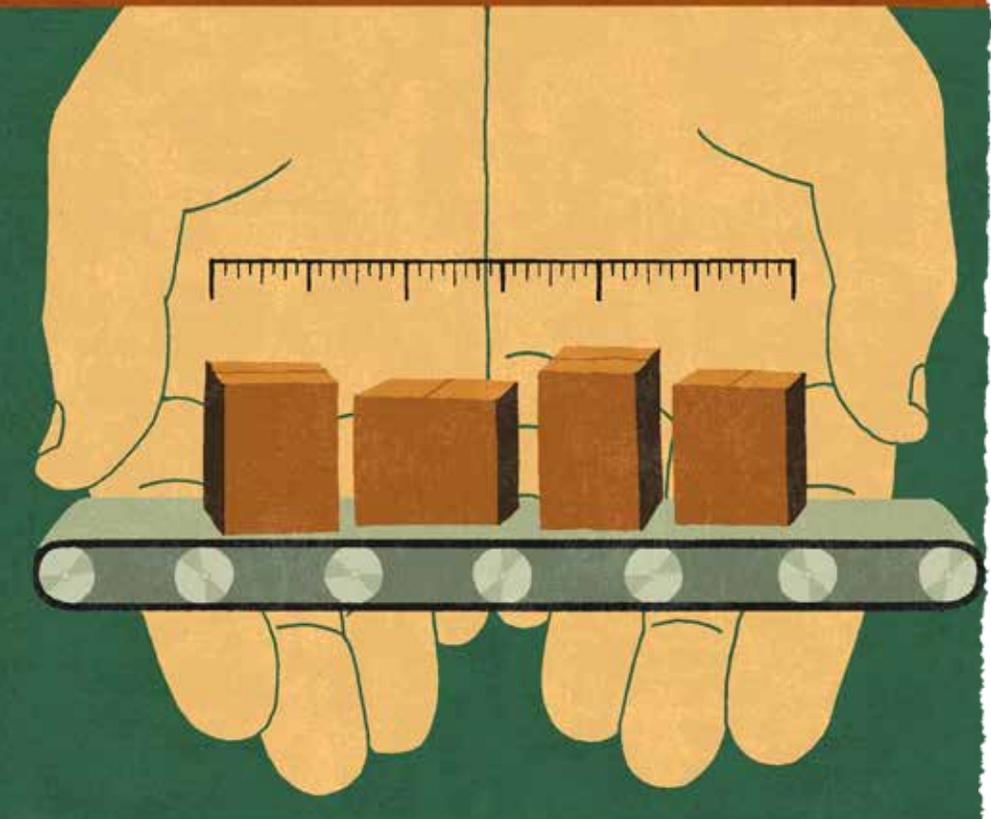
**F**rom a twenty-year high of 4.3 percent in 2002, annual US productivity growth has collapsed since the Great Recession to a scant 0.7 percent in 2014. Productivity growth is a key component of overall economic growth, particularly in developed countries where population growth rates are rapidly approaching zero. For Ann Bartel, understanding the recent productivity decline requires “understanding how the economy has changed over the past decade.”

Throughout the '80s and '90s, studies of labor productivity focused largely on the manufacturing sector. Referencing these early studies, Bartel points out that “measuring productivity was fairly easy. You’re basically just measuring feet of steel rolling off the line.” With the collapse of domestic manufacturing in the late '90s, however, and the rise of the new knowledge workers, measuring productivity has become far more challenging. “Think about what Google does, what Amazon does,” she says. “How do you actually measure the productivity of those workers?”

The difficulty in capturing the productivity of knowledge workers may indeed account for part of the productivity slump of the past six years, but it's likely only part of the story. And here, those early studies may still have something to teach us.

“We found in those studies that what really makes the difference between successful and unsuccessful organizations isn't just the quality of their workforce, but how they manage that workforce and the policies they use to get work done,” Bartel says.

Just as critically, she continues, “what's important is how companies



*package* their human resource policies. You can't design an effective compensation policy without thinking about how you're recruiting. And you can't think about either without thinking about how work is organized, how performance is evaluated, how feedback is communicated. It's how it all fits together."

The shift in economic activity from manufacturing to services, then, may require a complete rethinking of management and HR policies. "New technology has had a profound impact on the types of workers that are needed, the skills that are needed, and the way this new workforce has to be managed,"

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Bartel explains. While rigid start and stop times, for example, are critical to successful assembly lines, creativity—an increasingly vital skill for knowledge workers—rarely happens on a fixed schedule, particularly one already eroded by the rise of e-mail, mobile phones, and the "always on" culture of contemporary workplaces. As employers move to address the changing realities of the working world, they'll need to re-evaluate the full host of HR policies in order to recruit and retain the top-flight talent that will sustain their businesses.

"Knowledge workers aren't like factory workers," Bartel explains. "Employers need to figure out how much discretion to grant them and where to grant it. Some companies have been able to get it right and others can't. We're trying to understand why."

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**Ann Bartel** is the Merrill Lynch Professor of Workforce Transformation in the Finance and Economics Division and director of Columbia Business School's Workforce Transformation Initiative. Her research focuses on organizational economics and human resource management.