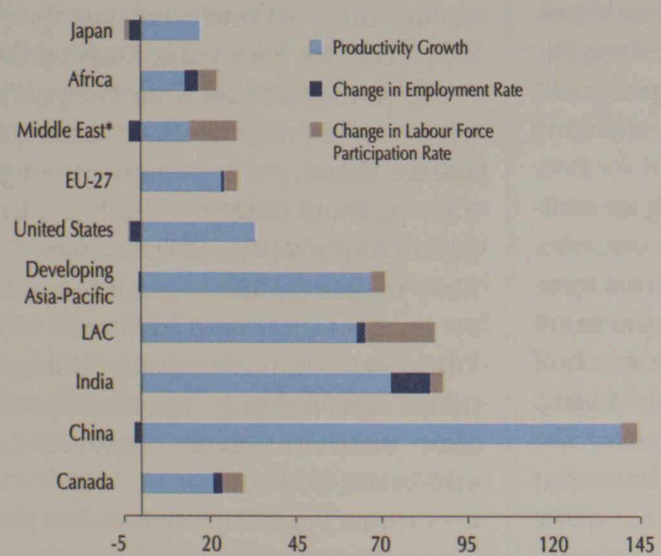
Labour productivity indicates how much each worker employed within an economy produces; the labour force participation rate indicates the proportion of the population that is available for the production of goods and services; and the employment rate indicates the proportion of the available population that actually works in the economy.

This methodology has been applied to ten economies (see chart) that together represent the vast majority of the global economy. The results show how each of the three components described above affected growth in per-capita real GDP from 1991 to 2010 within each economy.

In each of the ten cases, labour productivity was the largest—and sometimes the only—driver of per-capita GDP growth. In both India and China, increasing labour productivity was the most important driver. In India, changes in the labour force participation rate also exerted a positive yet relatively minor effect on per-capita GDP growth. In China, a falling employment rate exerted a small negative effect on per-capita GDP growth.

In Japan, an aging population exerted a downward effect on (i.e. lowered) the labour force participation rate, leaving labour productivity as the sole driver of per-capita GDP growth. The opposite is in play in the Middle East and Latin America and the Caribbean, where a young populace continues to enter the labour market in force, thus positively affecting labour force growth in that region, in addition to productivity growth. But even here, productivity growth was predominant in Latin America and the Caribbean as well as in the entire Developing Asia-Pacific region.

Total Per Capita GDP Growth Accounting Decomposition, 1991-2010**



Data: Global Insight.
Source: Office of the Chief Economist, DFAIT.
*Middle East Comprises Israel, Iran and Saudi Arabia.
**Developing Asia-Pacific 1996-2010, Middle East 1999-2010, EU-27 1993-2010.