European Employers' Institute

Understanding the EU-US labour productivity gap

#3 – The amplified divergence from 2019 to 2024

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Executive summary

This study provides an up-to-date analysis of the gap in labour productivity between the European Union (EU) and the United States (US), focusing on the period from 2019 to 2024.

The current magnitude of the gap

The analysis confirms a structural, significant lag in EU productivity levels. In 2024, the EU's average hourly labour productivity stood at $72/hour (PPP adjusted), a level 38% lower than the US average of $116/hour. This gap is observed across all major sectors of the economy. The widest gaps are seen in agriculture (-57% below the US), personal services (-49%), and the information and communication sector (-48%). With the exception of Ireland and Luxembourg, all EU countries exhibit lower overall labour productivity than the US. The EU-US gap is also significant in manufacturing (-27 %). Major economies such as Italy (-39%), Spain (-40%), France (-30%) and Germany (-23 %) contribute significantly to the aggregate EU-US gap.

An accelerated divergence since 2019

The gap has not only persisted but accelerated since 2019. US labour productivity grew by a total of +9.7%, while EU labour productivity grew by only +2.4%. This performance differential led to a 6.7% degradation in the EU's labour productivity ratio relative to the US. In this context, US value added grew twice as fast (+12.5%) as the EU's (+6.2%). The divergence occurred in three distinct phases: a sharp widening in 2020 (when US labour productivity surged), a partial stabilisation in 2021 and 2022, followed by a renewed, generalised lag across almost all sectors in 2023 and 2024.

Four explanatory factors

- ***Labour market***: The EU's policy focus on preserving employment contracts during the pandemic (e.g., via short-time work) led to a smaller adjustment in hours worked than in the US where unemployment surged. Additionally, the EU has increased its employment rate, which reflects a more inclusive growth.
- ***Technological and investment gap***: The US economy is driven by a faster-growing digital sector, in the context of massive investments related to the AI boom.
- ***Industrial and external shocks***: The EU's industrial sector is significantly weakened by its exposure to the energy price crisis following the Russo-Ukrainian war, increased regulatory burden, and heightened competitive pressure from China.
- ***Lack of internal competitiveness***: the recent increase of the regulatory burden at the EU and national levels, on top of well-established structural weaknesses such as the fragmentation of the EU market, structurally higher regulatory and tax burdens, and heavy public intervention via fiscal and social transfers. These factors result in extra-costs for producers and consumers, leading to structurally less dynamic labour productivity.

Introduction

The European Union's labour productivity lag relative to the United States is a critical and recurring subject in economic debate, especially in light of recent geopolitical and industrial shifts. While our prior research established the long-term nature of this growing gap (since 1995), the period spanning 2019 to 2024 marks a crucial inflection point where the divergence has sharply accelerated. Understanding this recent dynamic is essential for informing European policy, particularly as the continent faces challenges like the energy transition, intense global competition, and the integration of new technologies like Artificial Intelligence (AI).

This study is designed to move beyond aggregate figures and perform a detailed diagnostic of the factors driving the recent lag. The logic unfolds in three structured steps:

- Measuring the current gap (2024): we begin by quantifying the extent of the hourly labour productivity gap across the entire economy and identifying the specific sectors and major EU countries where the shortfall is most acute.
- Analysing the chronology and drivers (2019–2024): we then dissect the short-term evolution of the gap, comparing labour productivity, value added, and hours worked growth between the EU and the US.
- Identifying explanatory factors: finally, we list the main hypotheses that explain this divergence, examining the impact of policy choices (e.g., labour market responses to the pandemic), the role of the US high-tech sector, the effects of external shocks like the energy crisis, growing competition from China, and potential internal brakes within the EU.

Metrics

- Labour productivity is defined as the ratio of gross value added to the volume of hours worked.
- Unless otherwise specified, the value added metric used is in real terms.
- The volume of hours worked includes all employed persons in the economy, both employees and self-employed. Including the self-employed helps to neutralise differences in the proportion of salaried workers across economies.

Data sources

- We rely on OECD data. This dataset provides detailed information by sector for most EU countries and for the US. Missing data for the US on the agricultural sector in the OECD database is replaced by data from US statistics (BEA/BLS).

Methodological choices for data processing

- The calculations of labour productivity and the analysis of its evolution are based on two core tables: value added in volume and current prices in national currency, and hours worked.
- To evaluate comparative levels of hourly labour productivity in 2024, we use current price value added data, converted with 2024 USD PPP rates.
- All other analyses rely on volume value added data from the OECD or BEA/BLS, with no further transformation beyond basic growth rate. As a consequence, aggregate data and their variation may differ from the combination of disaggregated data.

Limitations

- We have carefully checked for data consistency across various sources and have made all possible effort to limit the risk of data discrepancy. However, due to the provisional nature of national account data for the covered period, in particular for 2024, data are subject to revision.
- Levels and variations of labour productivity at the sectoral level should be interpreted with prudence as they may reflect the effects of different factors such as competitive pressure, capital intensity or product specialisation.

Table 1. Codes and names for industries

Industry code	Industry name
A	Agriculture, forestry and fishing
B	Mining and quarrying
C	Manufacturing
D	Electricity, gas, steam and air conditioning supply
E	Water supply; sewerage, waste management and remediation activities
F	Construction
G	Wholesale and retail trade; repair of motor vehicles and motorcycles
H	Transportation and storage
I	Accommodation and food service activities
J	Information and communication
K	Financial and insurance activities
L	Real estate activities
M	Professional, scientific and technical activities
N	Administrative and support service activities
O	Public administration and defence; compulsory social security
P	Education
Q	Human health and social work activities
R	Arts, entertainment and recreation
S	Other service activities
T	Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use
U	Activities of extraterritorial organisations and bodies
ALL / Total	All economic activities from A to S or T (see Methodology and Data sources)

Table 2. Codes and names for countries

Country code	Country name
AUT	Austria
BEL	Belgium
BGR	Bulgaria
CZE	Czechia
DEU	Germany
DNK	Denmark
EST	Estonia
GRC	Greece
ESP	Spain
EU27	European Union - 27 countries, as of 2020
FIN	Finland
FRA	France
GRC	Greece
HRV	Croatia
HUN	Hungary
IRL	Ireland
ITA	Italy
LTU	Lithuania

Country name	Country name
LUX	Luxembourg
LVA	Latvia
NLD	Netherlands
POL	Poland
PRT	Portugal
ROU	Romania
SWE	Sweden
SVN	Slovenia
SVK	Slovakia
SWE	Sweden
US	United States

1. The EU/US labour productivity gap in 2024

The most recent data allow for a comparison of the labour productivity of the EU and several EU countries, on the one hand, and the US, on the other, for 2024. The comparison can be performed for the economy as a whole and for major sectors of activity. These data are still provisional and subject to revision. It is therefore necessary to interpret them with prudence.

Labour productivity can be estimated for major economic sectors across EU countries and in the US as the ratio of gross value added, over the total number of worked hours in the economy. In 2024, the average labour productivity of the EU countries stood at $50/hour (in current USD), compared to $116/hour in the US (see table 3 below). That is, labour productivity in the EU is situated 57% below that measured in the US, in current dollars.

	A	B to E	C	F	G to I	J	K	L	M and N	O to Q	R to U	Total	*Gap to US in %*
AUT	19	84	74	58	52	75	121	414	54	60	44	66	-43
BEL	37	109	101	64	72	115	203	1361	45	64	40	75	-35
BGR	4	18	15	13	15	34	57	173	17	16	8	17	-85
CZE	22	35	31	21	24	66	77	147	26	25	19	32	-72
DEU	6	12	11	7	7	12	14	84	8	7	6	9	-92
DNK	312	1189	1187	411	506	738	1388	4084	517	420	415	636	446
ESP	34	59	51	33	35	51	145	394	31	37	24	43	-63
EST	20	29	24	26	24	49	77	190	41	26	20	32	-72
FIN	43	89	80	43	45	85	141	775	45	45	37	62	-47
FRA	29	78	68	41	44	79	68	649	55	54	35	61	-47
GRC	8	33	27	12	14	33	82	562	15	21	16	21	-82
HRV	17	18	18	21	20	29	44	293	25	18	18	22	-81
HUN	19	26	24	16	18	31	56	166	21	20	14	24	-79
IRL	24	314	346	48	59	368	136	1630	130	50	36	128	10
ITA	22	52	49	37	36	58	108	775	38	46	20	47	-60
LTU	15	27	26	24	30	31	94	266	22	20	14	27	-77
LUX	32	83	75	55	76	121	275	899	91	98	50	112	-4
LVA	14	24	21	21	18	35	56	91	24	20	16	23	-80
NLD	55	111	98	51	65	87	151	704	62	61	37	73	-37
POL	9	25	22	22	24	28	48	165	27	19	11	23	-80
PRT	16	29	26	17	24	41	108	197	18	24	15	27	-77
ROU	20	102	91	95	92	338	372	1733	191	111	169	109	-6
SVK	19	33	28	32	25	47	50	293	27	27	25	32	-72
SVN	9	43	40	31	34	44	110	340	27	32	20	36	-69
SWE	38	86	79	50	53	95	128	352	68	42	42	63	-46
EU27	**19**	**60**	**56**	**36**	**38**	**73**	**100**	**488**	**46**	**43**	**28**	**50**	**-57**
US	**64**	**110**	**110**	**69**	**75**	**206**	**171**	**883**	**92**	**68**	**80**	**116**	
EU/US GAP in %	*-70*	*-45*	*-50*	*-47*	*-49*	*-64*	*-42*	*-45*	*-50*	*-38*	*-65*	*-57*	

Table 3. *Hourly labour productivity by country and sector of activity, in current USD/hour, in 2024*
Source: OECD, BEA, BLS, Rexecode calculations
Note: *the EU labour productivity for sector A (agriculture) was $19/hour in 2024, in current USD, versus $64/hour in the US, representing a gap of 70%. "B to E" stands to the aggregation of sectors B, C, D and E. In each column, cyan indicates the top 25 % values across EU countries, red indicates the bottom 25%.*

To compensate for differences in price levels, we now calculate labour productivity in PPP terms. In 2024, the average labour productivity of the EU countries stood at $72/hour, in 2024 PPP terms, compared to $116/hour in the US (see table 4 below). That is, labour productivity in the EU is situated 38% below that measured in the US, after conversion to PPP.

This situation of lower EU labour productivity is observed across all sectors of activity. The gap is maximal for agriculture ($28/hour in the EU versus $64 in the US, a gap of –57%). The gap is also very high for personal services ($41/hour in the EU versus $80 in the US, a gap of –49%) and for information and communication ($106/hour in the EU versus $206 in the US, a gap of –48%). The gap is minimal in the non-market sectors ($62/hour in the EU versus $68 in the US, a gap of -10%) and in financial services ($145/hour in the EU versus $171 in the US, a gap of –16%).

With the exception of Ireland and Luxembourg, all countries exhibit lower labour productivity than the US for the economy as a whole: Belgium is 17% below, Denmark 19%, the Netherlands 22%, Germany 23 %, Austria 28%, France 30%, Italy 39%, and Spain 40%.

	A	B to E	C	F	G to I	J	K	L	M and N	O to Q	R to U	Total	*Gap to US in %*
AUT	23	106	93	73	66	95	152	522	68	76	55	83	-28
BEL	47	140	130	83	92	148	262	1754	58	83	52	97	-17
BGR	9	42	36	32	36	82	134	411	40	38	19	41	-65
CZE	39	62	56	38	42	118	137	262	46	45	35	57	-51
DEU	59	114	106	68	70	117	136	816	81	68	57	90	-23
DNK	46	176	176	61	75	110	206	606	77	62	62	94	-19
ESP	55	96	82	53	56	82	234	635	49	60	39	70	-40
EST	32	46	38	41	38	78	122	300	65	41	31	51	-56
FIN	52	108	96	51	55	103	169	933	54	54	45	74	-36
FRA	38	104	90	55	59	105	90	863	73	72	46	81	-30
GRC	14	59	48	21	25	58	146	1001	27	38	29	38	-67
HRV	35	37	37	42	41	60	90	595	51	37	36	45	-61
HUN	38	53	50	34	37	64	113	338	43	41	29	49	-58
IRL	29	383	423	58	72	450	166	1992	159	61	44	156	34
ITA	33	79	75	56	54	88	163	1172	58	70	30	71	-39
LTU	28	51	48	44	55	57	175	492	41	37	26	50	-57
LUX	35	91	82	61	83	132	302	986	99	107	55	123	6
LVA	27	44	39	38	35	65	105	171	45	38	29	43	-63
NLD	67	138	121	63	80	107	186	870	77	75	45	90	-22
POL	19	50	44	44	48	56	96	331	54	38	23	47	-60
PRT	28	51	46	30	41	72	189	345	32	42	26	47	-59
ROU	10	50	44	46	45	165	182	847	93	54	82	53	-54
SVK	33	60	50	58	44	84	91	529	49	49	46	58	-50
SVN	15	71	66	51	57	73	183	563	45	53	34	60	-49
SWE	46	106	97	62	65	117	157	433	83	51	51	77	-34
EU27	**28**	**87**	**80**	**53**	**55**	**106**	**145**	**707**	**67**	**62**	**41**	**72**	**-38**
US	**64**	**110**	**110**	**69**	**75**	**206**	**171**	**883**	**92**	**68**	**80**	**116**	
EU/US GAP in %	*-57*	*-21*	*-27*	*-23*	*-27*	*-48*	*-16*	*-20*	*-28*	*-10*	*-49*	*-38*	

Table 4. *Hourly labour productivity by country and sector of activity in 2024, in USD/hour, converted at the 2024 PPP rate*
Source: *OECD, BEA, BLS, Rexecode calculations*
Note: *The EU labour productivity for sector A (agriculture) was $28/hour in 2024, at the 2024 PPP conversion rate, versus $64/hour in the US, representing a gap of 57%. Cyan is for the top 25 % values across EU countries, red is for the bottom 25%.*

When examining specific sectors of activity, some countries exceed or closely approach the labour productivity level of the US for the sector in question. Belgium, Luxembourg, the Netherlands, and Ireland each surpass the US labour productivity level in several sectors. This is true for Germany and Denmark in industry, and for Austria, France and Italy in the public sector, and Austria in construction. It is also true for Romania in certain service sectors, including financial services, and for Greece in real estate, or for Spain in the financial sector, etc. It should be noted, however, that these higher labour productivity levels than in the US for these sectors and countries are generally accompanied by a lower share of hours worked, which may reflect different activity structures in these countries that differ from those in the US.

2. The evolution of the gap since 2019

We now focus on the relative evolution of labour productivity in the EU and the US, using volume change rates in national currencies.

Labour productivity grew less rapidly in the EU than in the US between 2019 and 2024; this slower growth aggravated a gap that already existed in 2019. Labour productivity in the EU as a whole increased by 2.4% between 2019 and 2024, compared to +9.7% in the US, leading to a 6.7% reduction in the EU/US labour productivity ratio (see table 5 below).

The labour productivity growth gap is observed across all sectors of the economy. It is the highest in agriculture (+6.2% in the EU versus +24.8% in the US), in information and communication (+7.1% in the EU versus +25.5% in the US), and in business services (+5.7% in the EU versus +17.7% in the US).

Only five countries experienced labour productivity growth superior to that of the US: Bulgaria, Croatia, Ireland, Poland, and Slovakia.

A small minority of countries showed labour productivity growth superior to that of the US in agriculture (6), industry (5), information and communication (1), and business services (3). Conversely, nearly half of the EU countries achieved labour productivity growth superior to that of the US in construction, financial services, and personal services.

	A	B to E	C	F	G to I	J	K	L	M and N	O to Q	R to U	Total
AUT	12.4	1.1	-0.3	-23.4	-1.2	14.9	11.8	11.6	6.4	9.0	15.0	3.5
BEL	8.5	2.6	2.5	-4.7	3.5	14.9	-5.9	11.6	11.3	6.0	3.3	4.0
BGR	29.7	4.4	28.8	4.1	24.8	-10.1	53.6	0.5	17.8	7.8	-33.6	14.8
CZE	14.1	2.0	6.3	-21.6	-6.2	17.1	28.0	-32.9	8.1	-0.2	2.8	-0.4
DEU	16.1	-0.9	4.1	-18.7	4.2	6.4	1.4	-5.8	9.4	1.3	2.8	1.9
DNK	-28.0	36.1	49.7	-21.3	-1.2	14.8	1.5	5.4	0.9	-7.6	-0.3	4.0
ESP	7.2	-3.0	6.9	-8.4	7.3	-4.8	10.4	-0.2	10.1	-4.3	-0.2	2.6
EST	-20.1	-12.9	-6.3	-7.0	-8.7	9.1	-32.4	-4.1	26.9	5.3	11.4	0.0
FIN	4.3	-4.2	-8.9	-6.6	-7.2	11.9	14.4	8.4	2.2	-1.4	-0.3	0.5
FRA	-12.5	-5.2	-3.0	-12.6	-4.2	5.0	3.0	-3.6	-1.1	-0.1	2.4	-1.7
GRC	-22.4	6.0	19.7	36.8	-8.4	25.1	8.0	-22.0	16.8	-0.1	6.5	-0.7
HRV	34.7	6.4	12.3	33.8	16.7	17.5	-6.1	0.4	4.9	11.0	-0.3	12.2
HUN	35.3	-4.8	-1.2	-15.4	12.5	22.1	17.5	8.5	16.9	0.7	2.5	7.4
IRL	33.6	31.7	31.8	-8.7	7.1	39.0	23.8	7.9	1.7	-3.6	6.3	24.3
ITA	-6.3	-3.5	-1.9	15.8	-1.0	6.0	-6.6	17.6	9.4	-6.6	3.2	-0.2
LTU	32.8	5.1	10.7	7.0	6.3	-12.4	36.3	49.4	6.5	-6.7	-5.0	4.8
LUX	-4.3	17.6	26.4	-30.7	-17.2	10.0	-1.5	13.7	-20.6	3.3	3.1	-4.4
LVA	-10.4	5.5	7.1	-10.5	11.7	1.3	6.8	42.2	9.9	11.9	15.6	9.4
NLD	5.9	-1.6	7.4	-6.0	4.2	15.5	-11.2	-2.5	9.4	-1.5	6.9	1.8
POL	39.2	10.3	16.9	0.4	13.5	-3.1	3.6	23.3	3.9	9.7	-7.9	10.6
PRT	23.7	3.3	1.2	-5.4	0.7	-7.2	20.1	-20.9	2.5	0.2	9.2	1.5
ROU	-7.7	-12.8	3.7	-1.1	8.7	24.4	89.3	-9.6	12.5	-2.3	-	6.1
SVK	7.1	-6.2	-7.5	9.8	31.0	-1.4	1.3	16.0	53.9	16.5	-31.4	13.3
SVN	19.5	11.0	9.2	-4.0	-0.4	16.6	32.3	-16.7	0.5	-0.6	-5.6	5.0
SWE	3.5	0.7	2.3	3.8	-3.0	2.6	-13.1	14.4	13.7	-2.7	10.8	2.5
EU27	6.2	2.5	6.6	-8.5	1.7	7.1	2.9	-0.4	5.7	-0.6	2.5	2.4
US	24.8	8.5	8.5	-6.1	10.0	25.5	2.5	8.2	17.7	3.7	2.1	9.7

Table 5. *Growth of hourly labour productivity by sector and country between 2019 and 2024 (in %)*
Source: *OECD, BEA, BLS, Rexecode calculations.*
Reading note: *the hourly labour productivity in sector A (Agriculture) grew by 6.2% in the EU between 2019 and 2024, versus 24.8% in the US. Cyan means the country's figure is above the US for the same sector, red means it is below.*

3. The evolution of growth differential

a. Reference period 2014–2019

It is useful to compare, for the economy as a whole, and by country and sector, the labour productivity growth during the 2019–2024 period with that during the 2014–2019 period. The US and EU economies were both affected by global shocks such as the pandemic, variations in energy prices, and the rise of China. However, they may have been affected differently by these shocks, while also being more or less exposed to developments such as the Russo-Ukrainian war, or be more or less at the forefront related to development and implementation of AI.

The labour productivity growth gap for the 2019–2024 period between the EU and the US reveals (see table 6 below) that cumulative growth in the US increased by 4.4 percentage points, while cumulative growth in the EU decelerated by 2.7 percentage points. Most EU countries experienced a deceleration in labour productivity between these two periods, while six EU countries experienced higher growth: Belgium, Spain, Croatia, the Netherlands, Portugal, and Slovakia.

The EU experienced a labour productivity deceleration in all its sectors between the 2014–2019 period and the 2019–2024 period, except in real estate and personal services. Conversely, the US experienced a labour productivity acceleration in all sectors except in construction and personal services.

A majority of European countries saw labour productivity growth decrease in in agriculture, in industry, construction, the trade-transport-accommodation-food services aggregate, and personal services. In the other sectors, notably information communication, financial services, and business services, close to a majority of countries saw their labour productivity accelerate between the two periods, sometimes very sharply. However, this was not enough to achieve an acceleration for the EU as a whole.

	A	B to E	C	F	G to I	J	K	L	M and N	O to Q	R to U	Total
AUT	-3.3	-8.1	-10.0	-16.6	-6.5	3.5	-10.8	13.5	0.3	12.8	25.2	-0.6
BEL	10.5	-0.5	-3.0	-6.8	5.4	5.8	-26.4	19.6	2.4	7.5	3.1	2.3
BGR	1.1	-1.4	12.4	10.6	14.0	-27.1	53.2	-41.3	-8.7	3.4	-33.6	-0.1
CZE	-12.1	-16.5	-18.8	-21.1	-31.2	-14.7	-17.9	-24.9	-5.9	5.4	-14.8	-14.2
DEU	15.2	-8.3	-2.3	-15.1	-6.7	-3.6	-7.1	-6.8	2.5	0.2	2.9	-3.0
DNK	-24.6	21.6	28.8	-25.2	-8.1	-9.6	6.0	-3.7	-6.3	-10.5	-0.8	-2.9
ESP	2.8	-3.9	7.3	2.3	0.8	-8.6	12.8	20.6	1.4	-7.5	-5.4	0.8
EST	-19.9	-24.5	-21.5	-48.7	-22.8	-6.7	-22.4	-26.2	14.0	-6.5	8.3	-15.3
FIN	-17.3	-15.6	-22.3	-5.2	-12.2	7.0	14.6	5.2	-1.0	0.5	-8.0	-4.1
FRA	-14.5	-9.6	-9.5	-15.7	-5.3	-6.2	-2.1	-2.0	-1.5	-2.9	-1.0	-4.6
GRC	-45.0	2.9	14.9	34.8	5.6	28.7	8.8	9.6	4.4	5.6	-9.6	-1.2
HRV	-6.8	1.0	2.7	-1.6	-9.9	27.6	-8.8	16.1	5.1	9.0	-13.6	0.7
HUN	12.1	-12.1	-6.5	-22.5	-5.7	7.8	-10.1	12.3	-7.2	-3.3	-12.4	-4.9
IRL	-17.3	-34.9	-44.3	13.0	-3.4	-47.0	44.8	2.3	-20.2	1.3	-12.7	-2.1
ITA	-3.4	-8.4	-7.3	13.8	-7.6	7.0	-7.7	20.5	10.6	-1.3	0.3	-1.5
LTU	2.3	-3.6	0.3	-0.8	-19.0	-9.6	37.1	20.2	-23.6	-0.6	-5.6	-9.7
LUX	1.6	1.7	11.2	-41.0	-9.8	25.2	8.7	29.9	-53.0	5.1	6.9	-4.1
LVA	-32.4	-14.1	-21.6	-36.6	0.2	-0.2	26.1	56.4	-8.1	1.8	16.2	-1.1
NLD	3.0	-0.6	-1.2	-27.0	-0.3	10.3	-18.4	-4.7	5.4	0.8	6.9	1.1
POL	35.9	-1.5	1.9	-9.6	-8.1	-26.0	-47.3	-1.9	-28.8	3.7	3.9	-8.5
PRT	-8.1	-1.4	-5.5	-2.9	0.1	3.9	18.6	12.4	2.1	-2.4	9.6	0.3
ROU	-64.1	-31.7	-16.2	2.5	-14.3	-15.5	104.0	-41.7	-11.8	11.4	-	-17.6
SVK	23.4	-24.4	-31.3	20.2	24.3	-7.4	-12.1	18.2	61.0	-5.2	-43.0	3.7
SVN	-2.7	-4.0	-7.3	-15.6	-21.6	9.9	17.2	-5.3	-15.0	-3.2	-10.0	-7.7
SWE	-6.6	-11.1	-12.6	2.0	-8.7	-20.8	-34.1	20.4	12.2	-0.2	6.4	-2.9
EU27	-9.4	-5.3	-2.1	-8.4	-4.9	-4.7	-2.0	3.5	-0.1	-0.5	1.3	-2.7
US	24.0	3.6	3.6	-7.7	0.8	7.2	6.7	16.9	9.3	3.3	0.0	4.4

Table 6. *Variation of cumulative hourly labour productivity growth by sector and country between the 2014–2019 period and the 2019–2024 period (in percentage points)*
Source: *OECD, BEA, BLS, Rexecode calculations.*
Reading note: *The cumulative hourly labour productivity growth in the EU and in sector A (agriculture) over the 2019 to 2024 period was 9.4 percentage points lower than that over the 2014 to 2019 period. Cyan means positive variation, e.g. an acceleration, red means deceleration.*

b. Reference period 1997–2019

We do also compare the labour productivity growth differential to the 1997–2019 period, which constitutes a long stretch of time during which both economies were affected by common shocks (the bursting of the technology bubble, the great recession, the rise of China) and more region-specific shocks (the Eurozone crisis, the US-China tariff war, et cetera).

Between 1997 and 2019, the average annual growth of labour productivity for the EU as a whole was 1.3% versus 1.7% in the US. Between 2019 and 2024, the average annual growth of labour productivity was 0.5% in the EU versus 1.9% in the US. Thus, while EU labour productivity growth reached 75% of that of the US between 1997 and 2019, the ratio fell to 25% between 2019 and 2024.

Labour productivity growth only slightly increased in the US between 1997–2019 and 2019–2024, from 1.7% per year to 1.9% per year, an increase of 0.1 percentage point (rounded figures). But it is primarily labour productivity growth in the EU that decreased sharply, from 1.3% to 0.5%, a drop of 0.8 percentage point.

> ***From 2019 to 2024, labour productivity in the EU grew by 0,5 % per year, compared to 1.9 % per year in the US.***

The labour productivity slowdown for the entire EU between the 1997–2019 period and the 2019–2024 period affected nearly all countries with the exception of Belgium, Croatia and Ireland (see table 7 below). It was more modest in the countries of the historical core of the EU (Germany: -0.7 point, Belgium: +0.0 point, Spain: -0.1 point, Italy: -0.3 point, the Netherlands: -0.7 point), with the exception of France (-1.4 points). It is particularly marked in certain countries such as Lithuania (-3.2 points), Latvia (-2.8 points), Poland (-1.5 points), and Romania (-3.5 points), which had experienced particularly strong labour productivity growth between 1997 and 2019.

In the EU, the labour productivity slowdown between 1997–2019 and 2019–2024 affected all sectors, with the exception of business services where it accelerated (+1.6 points) and personal services (+0.5 point). The slowdown is particularly marked in industry (-1.8 points, which is greater than for manufacturing industry alone) and in agriculture (-2.3 points), but it also was also apparent in construction and most services. In the US, a labour productivity slowdown is observed in industry (-2 points) and to a lesser extent in construction (-0.6 point) and financial services (-1.3 points), while labour productivity accelerated in agriculture and most other service sectors.

	A	B to E	C	F	G to I	J	K	L	M and N	O to Q	R to U	Total
AUT	-1.3	-2.2	-2.8	-4.4	-1.5	1.6	-1.3	2.0	0.7	1.5	3.4	-0.7
BEL	0.0	-1.6	-1.9	-2.1	-0.2	0.2	-4.9	2.5	2.7	1.2	-0.4	0.0
BGR	6.0	-3.0	0.4	-2.5	1.7	-9.1	4.2	0.6	6.2	-1.1	-	-0.2
CZE	-0.5	-4.2	-4.6	-5.0	-4.0	0.1	1.2	-7.6	0.3	0.1	1.8	-2.7
DEU	0.7	-2.1	-1.3	-3.8	-1.3	-2.1	0.3	-2.6	2.7	0.0	1.0	-0.7
DNK	-9.3	4.2	5.0	-5.4	-1.4	-2.4	-2.2	1.0	1.0	-2.0	0.8	-0.3
ESP	-1.1	-2.3	-0.2	-1.4	1.3	-2.5	-0.2	2.2	2.7	-1.0	-0.9	-0.1
FIN	-2.5	-4.1	-5.3	-0.7	-3.0	-1.2	1.7	1.4	1.1	0.3	0.5	-1.1
FRA	-5.2	-3.5	-3.3	-2.3	-1.7	-1.7	-1.5	-1.7	0.0	-0.6	-0.5	-1.4
GRC	-6.7	0.1	2.9	7.8	-1.7	3.4	1.7	1.5	6.8	0.7	0.3	-0.6
HRV	3.4	-0.3	0.5	5.0	0.7	2.2	-2.6	5.5	0.8	2.4	-1.4	0.8
HUN	0.5	-4.1	-3.7	-4.8	-0.1	1.6	2.1	0.3	4.1	-1.3	-1.0	-1.1
IRL	3.1	-1.1	-1.7	-1.7	0.2	-0.8	5.0	1.6	-4.4	0.1	-0.5	1.1
ITA	-2.5	-1.5	-1.4	4.3	-1.2	-0.5	-2.4	4.2	3.4	-1.1	1.0	-0.3
LTU	0.9	-4.4	-4.0	-2.1	-3.0	-3.8	4.8	9.6	-3.0	-3.1	-1.1	-3.2
LUX	-0.6	1.6	3.0	-7.7	-3.8	-0.1	0.4	5.5	-4.9	1.1	0.7	-1.2
LVA	-8.5	-2.5	-3.0	-6.6	-3.2	-4.1	-3.9	1.2	-1.7	-0.2	0.7	-2.8
NLD	-0.7	-2.3	-1.4	-2.4	-1.0	-0.1	-5.0	-1.0	1.1	-0.5	2.1	-0.7
POL	4.2	-2.4	-2.5	-0.6	0.0	-4.7	-3.1	1.0	-3.6	-0.4	-1.1	-1.5
PRT	0.3	-1.6	-2.0	-0.7	-0.6	-1.3	0.4	-2.7	1.2	0.3	1.4	-0.7
ROU	-6.9	-7.7	-4.9	-2.7	-3.1	-2.5	10.7	-6.2	-1.9	0.7	-	-3.5
SVK	-8.3	-8.6	-10.3	0.9	4.1	-1.4	0.6	3.9	7.7	1.2	-7.3	-0.7
SVN	0.7	-1.8	-2.5	-0.9	-2.4	1.6	2.5	0.4	0.2	-0.4	-0.5	-1.3
SWE	-1.7	-2.8	-2.9	0.9	-2.7	-4.1	-6.0	3.2	1.5	0.0	2.0	-1.0
EU27	**-2.3**	**-1.8**	**-1.3**	**-1.5**	**-1.0**	**-1.6**	**-0.7**	**-0.4**	**1.6**	**-0.4**	**0.5**	**-0.8**
US	**1.8**	**-2.0**	**-2.0**	**-0.6**	**0.2**	**1.1**	**-1.3**	**0.4**	**1.8**	**0.6**	**0.4**	**0.1**

Table 7. *Difference in average annual hourly labour productivity growth by sector and country between the 1997–2019 period and the 2019–2024 period (in percentage points)*
Source: *OECD, BEA, BLS, Rexecode calculations*
Note: *The average annual growth of hourly labour productivity in the EU decreased by 2.3 percentage points for sector A (agriculture) between the 1997–2019 period and the 2019–2024 period. Cyan means positive variation, e.g. acceleration of labour productivity, red means negative, e.g. deceleration.*

c. Consequence on value added growth

The evolution of labour productivity is determined by the relative movements of value added and hours worked. From a value added perspective, a slowdown in labour productivity can be theoretically compensated for by an increase of worked hours. Our analysis shows that it was not the case for the EU relatively to the US during the 2019-2024 period (see annex 1 for more detail).

4. The chronology of the labour productivity gap

It is useful to analyse the labour productivity dynamics of the EU and the US since 2019 to identify the chronology of the EU's labour productivity lag relative to the US (see graph below). This development of the gap had three phases. In a first phase, in 2020, the labour productivity gap widened by more than 3 percentage points, due to a sharp rise in US labour productivity (+5 points) while that of the EU increased by 1.5% over one year (a rate superior to that observed during the previous five years). In a second phase, in 2021 and 2022, the labour productivity gap somewhat narrowed, with a partial catching up of EU labour productivity on the US, which remained largely unchanged. In a third phase, between 2022 and 2024, US labour productivity grew significantly, while that of the EU largely stagnated.

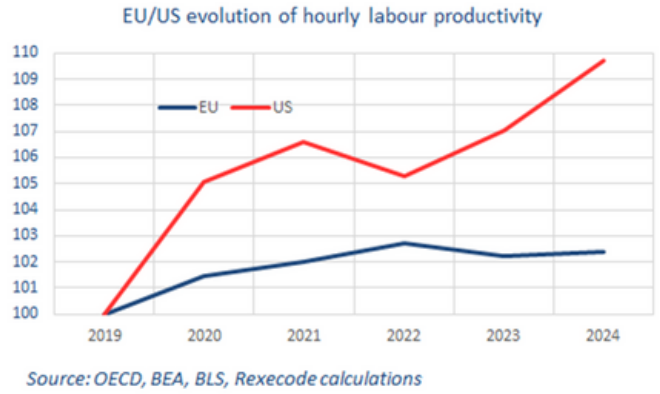


Figure 1. *Evolution of labour productivity in the EU and in the US from 2019 to 2024*
Source: *OECD, BEA, BLS, Rexecode calculations.*

The chronology of the evolution of the labour productivity ratio is replicated at the sectoral level (see table 8 below). In 2020, the EU experienced lower labour productivity growth than the US in all sectors except financial services and real estate services. It subsequently benefited from a relative recovery in labour productivity, initially limited in 2021 to the manufacturing sector and the trade, transport, and accommodation-food services aggregate. This labour productivity recovery accelerated in 2022 and extended to the entirety of industry, construction, information-communication, financial services and personal services. But in 2023, labour productivity began to lose ground again against the US in all sectors with the exception of construction and personal services. The relative loss of labour productivity affected all sectors in 2024, which constitutes a year of generalised lag of European labour productivity relative to the US.

	2020	2021	2022	2023	2024
A	-4.0	-6.2	-2.9	-2.1	-0.7
BTE	-2.0	-0.8	3.3	-1.8	-4.3
C	-2.3	1.1	6.2	-1.9	-4.6
F	-5.3	-2.2	5.9	4.5	-5.0
GTI	-3.7	1.2	3.7	-5.3	-3.5
J	-5.1	-1.0	0.2	-4.4	-5.2
K	2.3	-1.4	3.0	-2.3	-1.2
L	3.1	-4.2	-4.5	-1.2	-1.2
M_N	-2.1	-2.1	-1.2	-2.8	-2.5
OTQ	-2.0	-0.6	-0.8	-0.3	-0.5
RTU	-9.3	-4.3	10.6	7.1	-2.4
_T	-3.4	-0.9	1.9	-2.1	-2.2

Table 8. *Gap in EU labour productivity growth relative to the US by sector and by year (in %)*
Source: *OECD, BEA, BLS, Rexecode calculations.*
Reading note: *In 2020, the EU hourly labour productivity ratio to the US, for the economy as a whole, decreased by 3.4%, which means that EU labour productivity growth was about 3.4 percentage points lower than that of the US. Cyan means a EU-US growth gap, red means negative.*

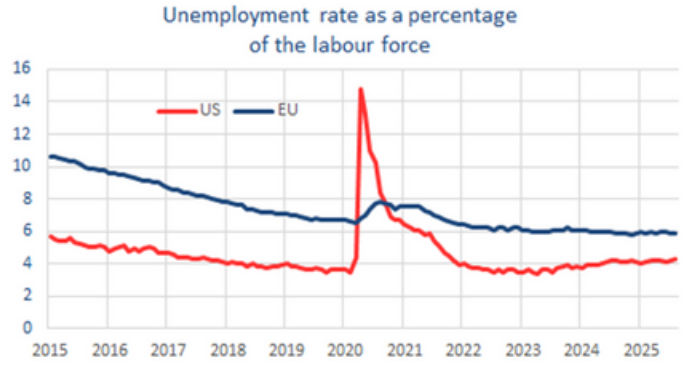
5. Explanatory hypotheses

Several explanatory hypotheses can be offered for the recent lag in EU labour productivity relative to the US. we present below the main ones that are most often discussed in the economic debate.

a. Diverging labour policies

The 2020 pandemic crisis led to very different policy responses on each side of the Atlantic, both in terms of health measures and in addressing the consequences of the pandemic on the economy, particularly the labour market. Generally, European countries sought to preserve the employment contracts between companies and their employees despite the sudden drop in activity by resorting to short-time work mechanisms. In the United States, public authorities accepted a wave of employment contract terminations. The trajectories of unemployment rates (see graph below) reflect these very different responses, with a particularly marked increase in the United States, where it abruptly rose from 4% to 15% between March and April 2020. On average in the EU, the unemployment rate increased much more moderately, from 6.5% in March 2020 to 7.8% in August 2020.

These differences in unemployment evolution could explain part of the labour productivity differential in 2020, as hours worked adjusted more significantly to the decline in activity in the US. Moreover, the employment contract terminations in the United States may have contributed to a reallocation of the workforce more favourable to labour productivity during the recovery.



Source: OECD.

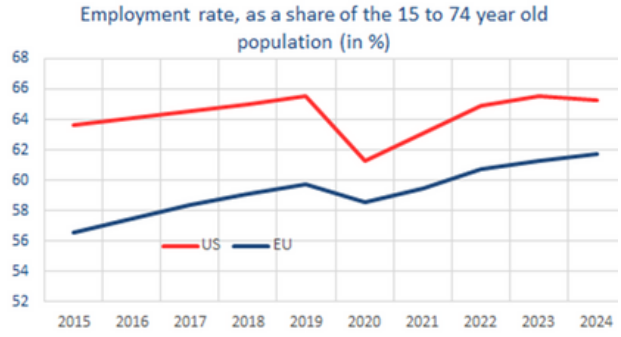
Figure 2. *Evolution of the unemployment rate in the EU and in the US from 2015 to 2024*

Employment policies, beyond the COVID response alone, may also have negatively affected EU labour productivity growth. This is notably the case in France, which pursued several policies during the 2019 to 2024 period aimed at enriching growth with employment. These include exemptions from employer social security contributions for employees near the minimum wage. Furthermore, France developed a massive support policy for apprenticeships starting in 2018, reinforced in 2020, leading to a mechanical decrease in labour productivity in France of around 1 point[1].

More generally, the EU's labour productivity lag relative to the US can be viewed in conjunction with a more marked increase in the employment rate in the EU: it rose by 2 points in the EU between 2019 and 2024 (from 59.7% to 61.7%), while it remained almost unchanged in the US (from 65.5% to 65.3%). Economic research estimates that a 1 percentage point increase in the employment rate is associated with a decrease of about 0.5% in the economy's average labour productivity.[2] This may reflect the fact that the rise in the employment rate is accompanied by lower labour productivity of the additional jobs, for various reasons (integration of less qualified individuals, retention of older individuals in employment, forms of employment less favourable to achieving labour productivity gains, etc.).

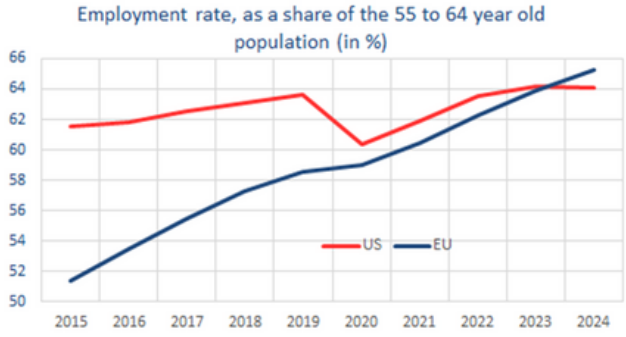
[1] See Insee, https://blog.insee.fr/la-productivite-du-travail-fr-depuis-la-crise-sanitaire/
[2] See: Renaud Bourlès & Gilbert Cette & Anastasia Cozarenco, 2012. "employment and productivity: disentangling employment structure and qualification effects," International Productivity Monitor, Centre for the Study of Living Standards, vol. 23, pages 44-54, spring.

It should be noted that the increase in the employment rate in the EU is particularly marked for the 55 to 64 age bracket, and likely related to an aging population and a gradual extension of professional working life. Between 2019 and 2024, the employment rate for the 55 to 64 age bracket increased by 6.6 points in the EU (from 58.6% to 65.2%) while it nearly stagnated in the US (from 63.7% to 64.1%).



Source: OECD.

Figure 3. *Evolution of the employment rate for people aged between 15 and 75 in the EU and in the US from 2015 to 2024*



Source: OECD.

Figure 4. *Evolution of the employment rate for people aged between 55 and 64 in the EU and in the US from 2015 to 2024*

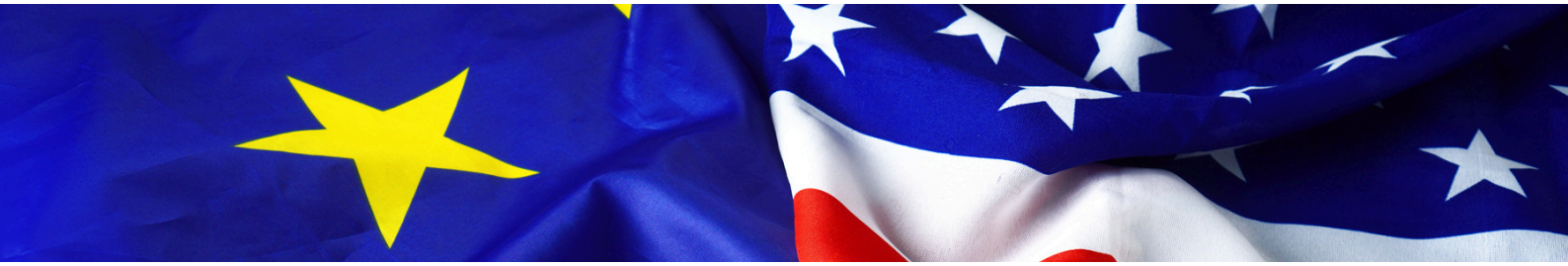
The stronger increase in the employment rate in the EU compared to the US, while allowing for a greater increase in the total volume of hours worked, also enabled a greater increase in the number of hours worked per inhabitant. Thus, the relative decline in standard of living has been less significant than that of productivity (see annex 2). Furthermore, the rise in the employment rate suggests that growth has been more inclusive in the EU than in the US, despite a lower value added increase over the same period of time.

b. The US digital boom

One explanation for the labour productivity growth differential lies in the presence of a more developed digital sector in the United States. This accelerated further after 2020, as digitalization of the economy continued and then the development of AI exploded. The differentiated development of ICT as an explanatory factor for the labour productivity growth gap between the EU and the US was already well identified by economic literature for earlier periods, but it is argued to have played an increased role in recent years.[3]

The acceleration of the digital industry, in the context of the AI boom, is increasingly supporting the US economy growth, as reported by economist Jason Furman, who noted that "investment in information-processing equipment and software was only 4% of U.S. GDP for the first half of 2025, yet it also accounted for fully 92% of GDP growth over that period."[4]

A specificity of the US economy dynamics is that it is being increasingly driven by a small number of very large tech companies. Furman comments "The Magnificent Seven are seven enormous tech companies — companies like Amazon and Microsoft — that represents a very large fraction of the S&P 500 at this point, and a very large fraction of the increase in the S&P 500. »



[3] See our first study on productivity.
[4] Source: https://www.nytimes.com/2025/10/23/opinion/ai-bubble-economy-bust.html & https://x.com/jasonfurman/status/1971995367202775284

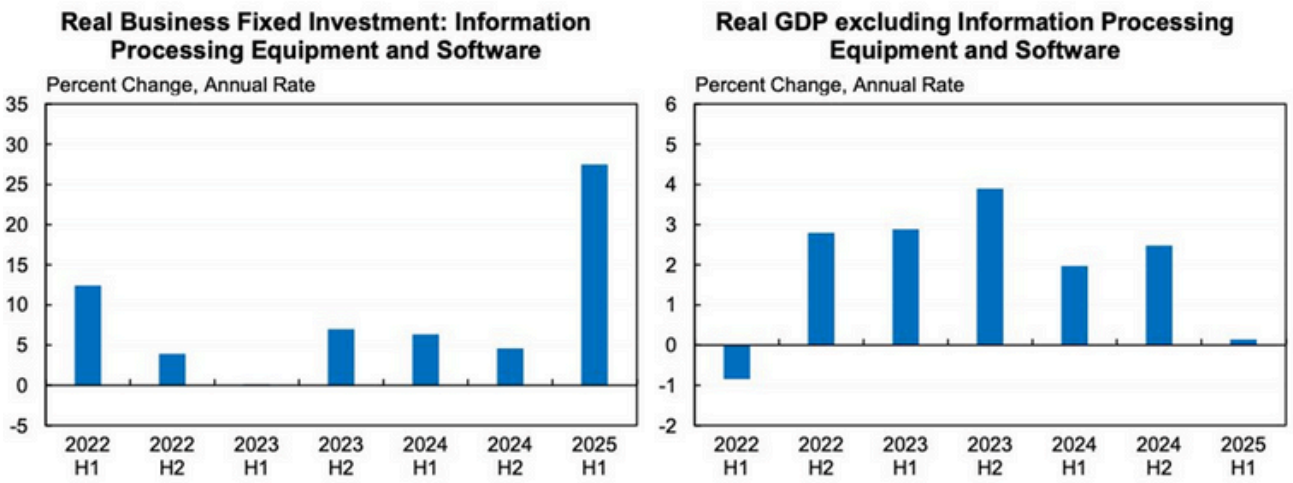


Figure 5. *The contribution of the tech sectors to US investment and GDP growth*

c. The European industrial crisis

The value added in volume for the entire industry (including mining, energy, water, and waste, in addition to manufacturing) increased by only 0.5 % in the EU between 2019 and 2024, and that of the manufacturing industry alone grew by only 4.0%, which is about half as much as in the US (+7.1 %). Another sign of this weakening is the decrease in the EU's share of world merchandise exports in volume, notably starting from 2023 after an initial decrease between 2019 and 2021. Overall, this share decreased by more than 15 percentage points between 2019 and 2024. By comparison, the US's share decreased by 5 points, and the China's share increased by more than 30 points.

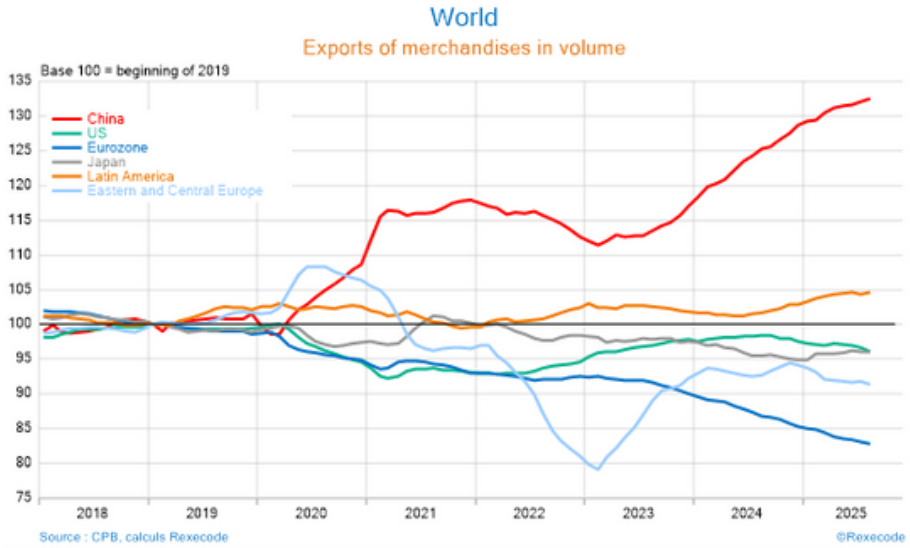


Figure 6. *Evolution of the volume of exports of merchandise*

The weak growth of European industry occurs in a context of accelerating market capture by China's exports, alongside a reduced reliance on imports to fuel its economy. In recent years, China has been increasing its exports faster than the pre-covid trend, while imports have grown less sharply. These evolutions should be read in light of the "made in China 2025" plan, which aims to position China as a global industrial leader.

China's competitiveness surge comes also in a context of domestic deflationary pressures in the wake of its property sector bust, and of a much higher labour productivity growth than in the US and the UE. Thus Chinese exports prices are about the same in 2025 as in 2019, while they have increased by 20 % in the US and by 40 % in the eurozone over the same period.

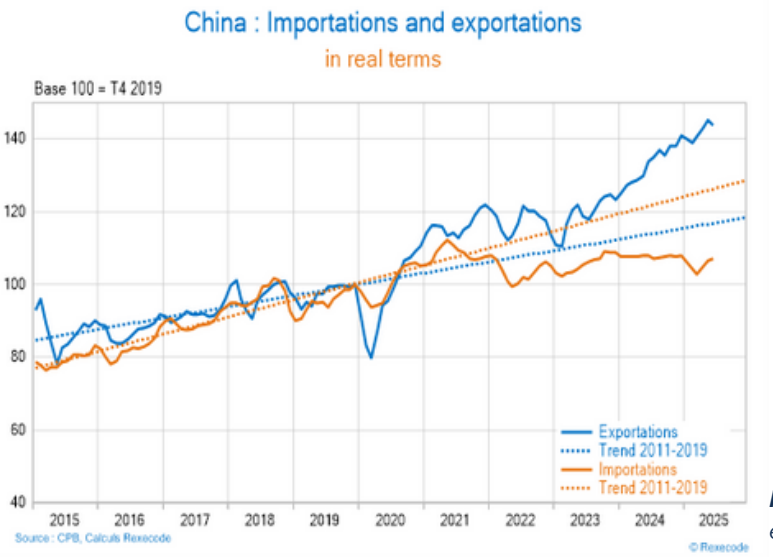


Figure 7. *Evolution of China's exports and import*

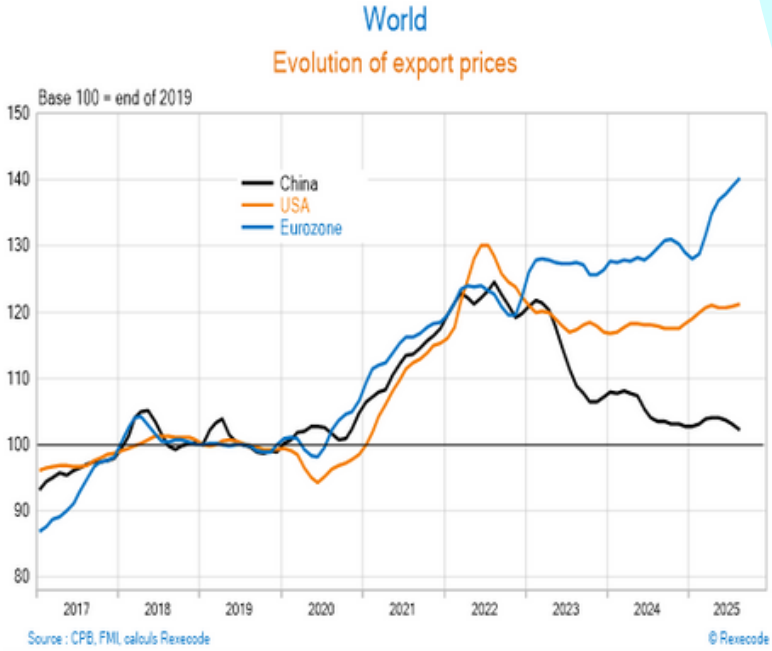


Figure 8. *Evolution of exports prices in China, the Eurozone and the US*

One key reason for the EU's competitiveness loss is that the EU is suffering from a region-specific increase in energy prices in the wake of the Russo-Ukrainian War, which has hampered its competitiveness.

Additionally, the EU has been implementing over the recent years a number of ambitious regulations (the "Green Deal")[5] within its climate strategy that have triggered significant challenges in production processes.

> ***the EU is suffering from a negative industrial competitiveness shock.***

All in all, over the recent years, the EU is suffering from a negative industrial competitiveness shock resulting from China's labour productivity gain, low inflation and industrial development on the one hand, and a combination of negative regional developments such as the energy crisis and new regulatory burdens, on the other hand.

[5] See Mario Draghi's report or Rexecode's note on the EU, the US and China's decarbonation strategies https://www.rexecode.fr/competitivite-croissance/documents-de-travail/faire-de-la-decarbonation-un-levier-de-croissance

d. EU's weak private spending

Compared to the US, the EU (and more specifically the Eurozone) has experienced weaker private demand, and this weakness has worsened over the last five years. The household savings rate in the Eurozone increased by several percentage points between 2019 and 2025, while it decreased in the United States.

While non-financial corporations' investment grew roughly at the same pace in the EU and in the US before the pandemic, they have been following divergent paths since the post-pandemic recovery in 2021.

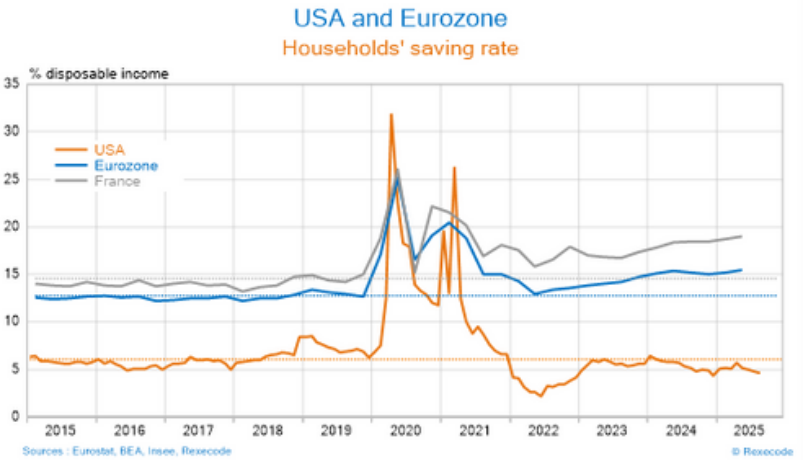


Figure 9. *Evolution of households' saving rate in the EU and in the US*

The weakness of private spending in the EU compared to the US may result partly from cyclical factors such as differences in monetary and budgetary policies and the EU-specific energy prices' shock. Uncertainty linked to the geopolitical situation and to the political situation in some countries may also play a role.

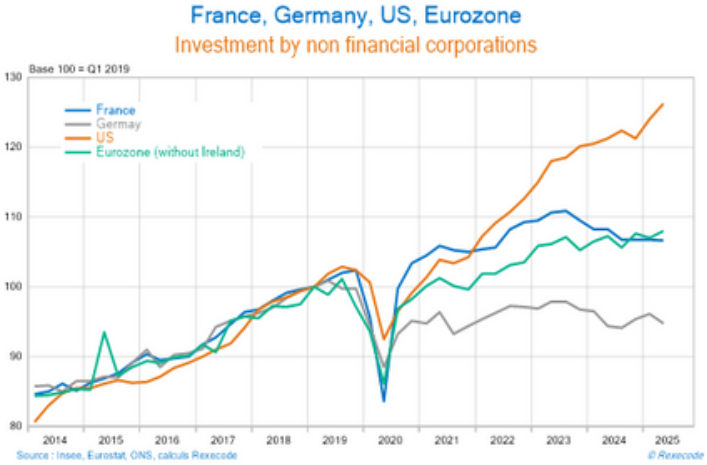


Figure 10. *Evolution of non-financial corporations' investment in China, the Eurozone and the US*

However, the lack of dynamism of private spending in the EU may also come from more structural factors that have recently worsened, as demonstrated by Draghi's report. Some of these factors are market fragmentation across the EU in particular in the services and financial sectors, regulatory burden, taxation, labour regulations, environmental regulation, heavy fiscal and social transfers across people and economic sector, etc.

The accumulation of public intervention through regulatory constraint and taxes lead to extra production costs and/or revenue losses that hamper investment and then labour productivity growth. While these constraints were already in place during the previous period, they may have become more stringent in a context of digitalisation and services-focussed economy on the one hand, and of increasingly ambitious environmental regulations implemented at the EU and at the member states levels.

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Conclusion

The analysis of the 2019–2024 period confirms that the EU's relative labour productivity decline has become a profound challenge, as it is driven fundamentally by a severe lag in value added growth compared to the US. While the US economy rebounded with a strong surge in labour productivity concentrated in high-tech sectors, the EU stagnated, weighed down by labour market rigidity, external industrial shocks (energy, China), and weak domestic demand.

Nevertheless, caution is required in interpreting the final figures. The 2024 data remain provisional and will require close monitoring upon the publication of final national accounts, which will allow for a definitive granular decomposition (country, sector, and factor-based analysis). Particularly, the debate remains open as to how much of the US labour productivity spike is cyclical—related to post-pandemic rebound dynamics—and how much is structural, reflecting a permanent TFP advantage in AI and digital technologies.

This divergence sets the backdrop for critical policy decisions. The EU is currently navigating external geopolitical uncertainties, notably the future trajectory of US trade and industrial policy (e.g., potential renewed "Trump-era" protectionism), and internal political uncertainties (e.g., in France). Combined with the necessity for budgetary consolidation across the Eurozone, there is a risk that the EU limits the vital investments required to address the labour productivity lag. Strategic policy recommendations, such as those in the Draghi report—including massive investment in defence—could serve as a necessary production and innovation driver, provided they are effectively coordinated and do not crowd out private investment. The final outcome of the EU's ability to transition from a job-rich, but low-productivity model toward a growth-rich, high-productivity model will depend on the coherence and scale of its forthcoming strategic response.

Annex 1: Evolutions of value added growth and hours worked

Labour productivity is the ratio of value added to the number of hours worked in the economy. Its evolution is related to the respective evolution of these two factors. From a value added perspective, a slowdown in labour productivity can be theoretically compensated for by an increase in hours worked. Our analysis shows that it was not the case for the EU relatively to the US during the 2019-2024 period.

a. Value added growth

Between 2019 and 2024, value added in volume for the economy as a whole grew by 6.2% in the EU versus 12.5% in the US (see table 1 below). The gap between the two value added growth rates is very close to that of the labour productivity growth rates between the two countries.

Among EU countries, nearly a quarter experienced value added growth close to or superior to that of the US between 2019 and 2024, which is more than was the case for labour productivity (four countries). Except for Germany, which experienced very weak value added growth (+0.6%), the large EU countries saw their value added growth exceed the EU average, but was still lower than in the US.

Regarding sectors, the EU experienced lower value added growth than the US for most, notably agriculture, the trade-transport-accommodation-food services aggregate, industry, and professional services. Conversely, the EU experienced VA progression comparable to that of the US for construction and information communication, and superior for personal services.

There are, however, many heterogeneities among countries within each sector, with the top quartile of value added growth rates within the EU systematically situated above the American growth rate.

	A	B to E	C	F	G to I	J	K	L	M and N	O to Q	R to U	Total
AUT	3.1	2.9	1.1	-21.0	-4.7	23.9	9.1	5.6	6.0	9.1	7.1	2.4
BEL	3.3	0.0	-1.2	5.5	5.4	24.0	-9.5	11.7	18.8	11.8	14.4	8.5
BGR	6.7	-4.5	17.1	8.1	25.4	23.2	60.3	9.3	24.9	20.3	-23.0	15.0
CZE	13.3	-5.3	-1.7	-14.2	-3.6	38.8	22.1	-1.1	16.5	8.5	2.9	2.7
DEU	7.1	-7.5	-3.8	-19.8	-0.2	18.5	-0.3	6.5	7.9	5.8	-0.5	0.6
DNK	-28.4	48.9	61.5	-14.4	3.2	25.6	-2.6	10.7	14.1	-0.9	4.3	11.3
ESP	0.0	-1.8	7.6	-2.6	8.1	30.7	9.8	15.9	18.8	9.1	-1.9	8.0
EST	-27.7	-23.9	-19.8	-8.4	-9.7	38.5	2.5	12.2	23.8	11.1	16.0	0.2
FIN	-7.2	-2.7	-8.2	-18.5	-11.0	24.5	18.4	10.4	4.5	7.5	0.0	1.5
FRA	-18.3	-1.7	0.2	-3.4	1.6	26.5	9.5	5.5	10.4	4.6	15.4	5.3
GRC	-11.8	22.0	38.2	49.1	-3.7	52.2	6.2	0.2	37.3	3.1	9.7	7.4
HRV	11.9	4.1	7.3	68.1	30.0	56.6	3.0	10.4	23.5	14.8	13.5	20.5
HUN	-7.4	-8.6	-5.5	-6.2	11.0	48.2	18.9	18.7	26.3	-0.7	11.3	7.2
IRL	27.1	41.9	39.1	1.1	6.4	88.8	39.7	24.5	17.7	15.7	4.9	37.1
ITA	-5.0	0.0	1.2	50.3	2.3	19.2	-6.0	6.4	26.6	0.9	1.2	6.6
LTU	7.6	12.1	18.4	19.3	0.8	67.8	40.8	12.5	40.0	5.0	5.1	12.5
LUX	9.4	12.4	17.0	-31.6	-14.7	25.9	10.7	13.7	-9.9	26.2	17.4	4.6
LVA	-12.4	-2.0	0.5	-21.7	5.4	20.2	7.0	20.3	8.8	12.6	-6.3	4.6
NLD	-0.4	3.4	11.5	9.4	7.8	31.9	-1.4	6.2	12.4	10.1	13.3	8.8
POL	16.5	4.9	11.2	-3.4	13.2	47.4	13.7	13.4	22.6	22.2	18.1	13.9
PRT	-2.1	5.2	1.6	19.5	4.4	39.7	23.2	1.5	18.8	9.2	15.0	9.3
ROU	-13.5	-20.0	-4.5	14.5	19.6	49.0	57.9	16.3	19.0	0.3	15.0	7.3
SVK	-3.3	-13.5	-14.6	7.1	20.5	7.7	-5.7	13.1	51.9	18.7	-33.9	8.5
SVN	1.7	14.0	11.5	15.8	4.4	45.5	27.1	5.3	12.0	11.3	7.0	12.1
SWE	-5.4	3.7	4.2	0.2	-3.6	15.9	12.1	10.5	23.4	1.9	10.6	5.7
EU27	-2.1	0.5	4.0	-0.9	3.2	31.3	5.7	7.9	14.3	6.5	5.2	6.2
US	19.1	7.1	7.1	-2.1	11.5	30.5	5.3	17.7	21.2	9.6	-2.1	12.5

Table 1. *Value added growth in volume by country and sector between 2019 and 2024 (in %)*
Source: *OECD, BEA, BLS, Rexecode calculations*
Note: *The value added of the agricultural sector decreased by -2.1% in the EU between 2019 and 2024, and increased by +19.1% in the US.*

b. Hours worked growth

Hours worked in the economy as a whole in the EU grew more strongly than in the US: +3.8% versus +2.6% over the 2022-2024 period (see table 2 below). The difference in hours growth therefore only marginally explains the decline in labour productivity.

Most EU countries experienced hours worked growth superior to that of the US. However, a few countries saw their total hours worked decrease between 2019 and 2024, notably Latvia (-4.4 %), Slovakia (-4.3 %), Germany (-1.3%) and Austria (-1.1 %)

	A	B to E	C	F	G to I	J	K	L	M and N	O to Q	R to U	Total
AUT	-8.3	1.8	1.5	3.1	-3.5	7.9	-2.5	-5.4	-0.4	0.1	-6.8	-1.1
BEL	-4.8	-2.6	-3.7	10.7	1.9	7.9	-3.8	0.1	6.8	5.5	10.8	4.3
BGR	-17.8	-8.5	-9.1	3.9	0.5	37.0	4.4	8.8	6.0	11.6	16.0	0.1
CZE	-0.7	-7.2	-7.5	9.3	2.8	18.5	-4.6	47.4	7.8	8.7	0.1	3.1
DEU	-7.7	-6.6	-7.6	-1.4	-4.2	11.4	-1.7	13.1	-1.4	4.5	-3.2	-1.3
DNK	-0.5	9.4	7.9	8.7	4.4	9.4	-4.1	5.1	13.0	7.3	4.6	7.0
ESP	-6.8	1.2	0.7	6.3	0.8	37.3	-0.5	16.1	7.9	14.0	-0.8	5.3
EST	-9.5	-12.6	-14.4	-1.4	-1.2	27.0	51.7	17.0	-2.4	5.5	4.2	0.2
FIN	-11.0	1.5	0.7	-12.8	-4.1	11.3	3.6	1.9	2.2	9.1	0.4	1.0
FRA	-6.6	3.7	3.2	10.5	6.1	20.5	6.3	9.5	11.6	4.7	12.7	7.2
GRC	13.6	15.1	15.4	9.0	5.2	21.6	-1.7	28.5	17.5	3.1	3.0	8.1
HRV	-16.9	-2.2	-4.5	25.6	11.4	33.3	9.6	10.0	17.7	3.5	13.8	7.4
HUN	-31.5	-4.0	-4.3	10.8	-1.3	21.4	1.2	9.3	8.1	-1.3	8.5	-0.3
IRL	-4.8	7.8	5.5	10.7	-0.6	35.8	12.9	15.4	15.8	20.1	-1.2	10.3
ITA	1.4	3.6	3.1	29.8	3.4	12.5	0.6	-9.5	15.8	8.1	-1.9	6.8
LTU	-19.0	6.6	7.0	11.5	-5.2	91.5	3.3	-24.7	31.6	12.5	10.6	7.4
LUX	14.3	-4.5	-7.4	-1.3	3.1	14.5	12.4	0.0	13.5	22.2	13.8	9.4
LVA	-2.3	-7.1	-6.2	-12.5	-5.7	18.6	0.2	-15.4	-1.1	0.6	-18.9	-4.4
NLD	-5.9	5.1	3.8	16.3	3.4	14.2	10.9	8.9	2.8	11.8	6.0	6.9
POL	-16.3	-4.9	-4.9	-3.8	-0.3	52.1	9.8	-8.0	18.0	11.4	28.2	3.0
PRT	-20.9	1.8	0.5	26.3	3.6	50.5	2.6	28.3	15.9	8.9	5.4	7.7
ROU	-6.2	-8.3	-7.9	15.8	10.0	19.8	-16.6	28.6	5.7	2.7	-	1.2
SVK	-9.7	-7.8	-7.7	-2.4	-8.0	9.2	-7.0	-2.5	-1.3	1.9	-3.6	-4.3
SVN	-14.9	2.7	2.2	20.6	4.7	24.9	-3.9	26.5	11.4	12.0	13.4	6.7
SWE	-8.6	3.0	1.9	-3.5	-0.6	13.0	28.9	-3.4	8.6	4.7	-0.2	3.1
EU27	-7.8	-1.9	-2.4	8.3	1.5	22.5	2.7	8.4	8.2	7.1	2.6	3.8
US	-4.5	-1.3	-1.3	4.3	1.3	3.9	2.7	8.8	2.9	5.7	-4.1	2.6

Table 2. *Growth of the number of hours worked by country and sector between 2019 and 2024 (in %)*
Source: *OECD, BEA, BLS, Rexecode calculations*
Note: *The worked hours of the agricultural sector decreased by -7.8% in the EU between 2019 and 2024, and by -4.5% in the US.*

c. Comparison to 2014-2019

Another way to judge the dynamics of value added and hours worked is to compare the growth of each over the 2019 to 2024 period to their growth during the 2014 to 2019 period (see table 3 below).
This comparison highlights, for the total economy, a drop in growth (e.g., a deceleration) in both value added and hours worked, for the EU as well as for the US. Nevertheless, a strong difference appears: value added decelerated much more sharply in the EU (-5.1 percentage points) than in the US (-0.9 percentage point). Conversely, hours worked decelerated more in the US (-5.2 percentage points) than in the EU (-2.3 percentage points).

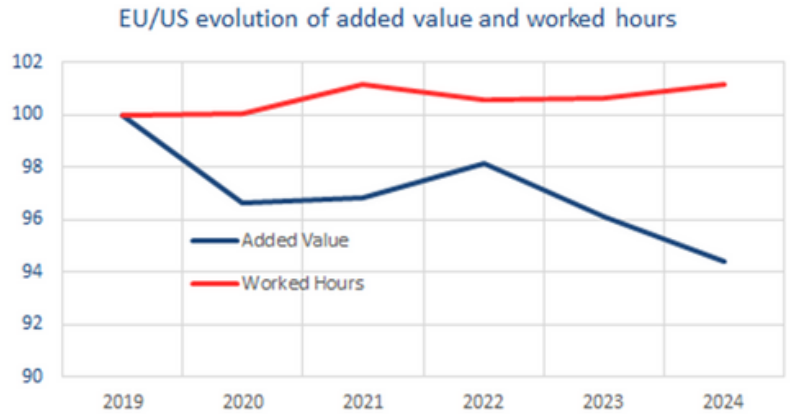
This finding is replicated at the sectoral level: the labour productivity lag in the EU relative to the US reflects both a more marked slowdown in the value added produced in the economy, and a less marked adjustment of hours worked to the slowdown in activity.

		A	B to E	C	F	G to I	J	K	L	M and N	O to Q	R to U	Total
Added value growth													
2014-2019	EU	0,7	12,8	14,4	9,0	14,2	31,7	3,5	6,0	20,2	5,3	7,2	11,4
	US	8,5	8,6	8,6	22,3	15,6	31,2	2,9	6,0	17,7	8,3	8,6	13,4
2019-2024	EU	-2,1	0,5	4,0	-0,9	3,2	31,3	5,7	7,9	14,3	6,5	5,2	6,2
	US	19,1	7,1	7,1	-2,1	11,5	30,5	5,3	17,7	21,2	9,6	-2,1	12,5
variation of growth	**EU**	**-2,9**	**-12,3**	**-10,4**	**-9,9**	**-11,0**	**-0,5**	**2,2**	**1,9**	**-5,9**	**1,2**	**-2,0**	**-5,1**
	US	**10,6**	**-1,5**	**-1,5**	**-24,4**	**-4,1**	**-0,7**	**2,5**	**11,7**	**3,5**	**1,3**	**-10,7**	**-0,9**
Worked hours growth													
2014-2019	EU	-12,9	4,7	5,3	9,1	7,1	17,8	-1,3	10,4	13,7	5,4	6,0	6,0
	US	7,6	3,5	3,5	20,4	5,7	10,8	7,4	16,2	8,5	7,8	6,4	7,7
2019-2024	EU	-7,8	-1,9	-2,4	8,3	1,5	22,5	2,7	8,4	8,2	7,1	2,6	3,8
	US	-4,5	-1,3	-1,3	4,3	1,3	3,9	2,7	8,8	2,9	5,7	-4,1	2,6
variation of growth	**EU**	**5,1**	**-6,6**	**-7,7**	**-0,8**	**-5,7**	**4,7**	**4,0**	**-2,0**	**-5,5**	**1,7**	**-3,3**	**-2,3**
	US	**-12,1**	**-4,8**	**-4,8**	**-16,1**	**-4,4**	**-6,9**	**-4,6**	**-7,4**	**-5,6**	**-2,1**	**-10,5**	**-5,2**

Table 3. *Comparison of the growth rates of value added and hours worked, in the EU and the US, between the 2014–2019 and 2019–2024 periods (in % and percentage points and cumulatively over each five-year period)*
Source: *OECD, BEA, BLS, Rexecode calculations*
Note: *The value added growth for sector A (agriculture) in the EU was 0.7% over the 2014 to 2019 period and -2.1% for the 2019 to 2024 period, representing a growth variation of -2.9 percentage points.*

d. Chronology

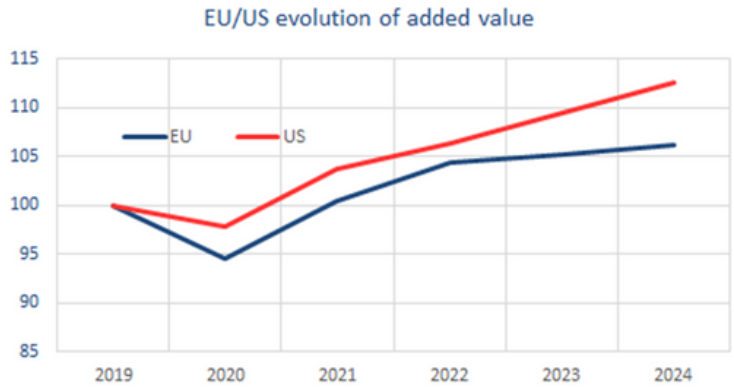
Additionally, the analysis of the evolution the ratio between hours worked in the economy as a whole in the EU and the US, on the one hand, and value added, on the other (see graph below), complements the analysis. It reveals that the value added differential followed the labour productivity gap, with a three-stage lag. First in 2020, when the EU's value added initially lagged behind the US. Then in 2021 and 2022, the EU partially caught up with the US in value added. But the lag intensified again in 2023 and then 2024. It should be noted that the hours worked ratio slightly increased between the EU and the US, thus partially compensating for the labour productivity growth gap.



Source: OECD, Rexecode calculations

Figure 1. *Evolution of the EU/US ratio of value added and worked hours from 2019 to 2024*

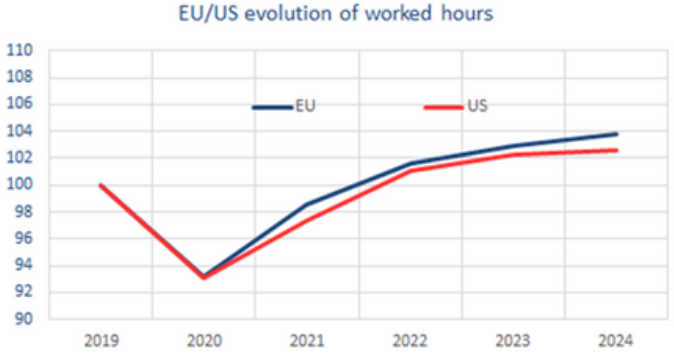
Another perspective is to look separately at the evolutions of value added and hours worked (see the two graphs below). The EU and the US experienced a similar evolution in their hours worked between 2019 and 2024, but the US saw its value added decrease less sharply in 2020, and rebound more quickly afterward, following the labour productivity trajectory.



Source: OECD, Rexecode calculations

Figure 2. *Evolution of the value added in the EU and in the US from 2019 to 2024*

Figure 3. *Evolution of the worked hours in the EU and in the US from 2019 to 2024*



Source: OECD, Rexecode calculations

Appendix 2: Hours worked and value added per inhabitant

It is possible to supplement comparisons of hourly productivity with those of hours worked and value added per inhabitant or per person of working age (e.g., person aged from 15 to 64)[6]. The comparison of hours worked provides an indication of the mobilisation of the labour factor in the economy. In 2024, according to OECD data, the majority of EU countries worked more hours per inhabitant or per person of working age than the United States. However, this only partially compensated for the relative weakness of labour productivity. Overall, value added per inhabitant, converted into PPP, is 35% lower in the EU compared to the US, a gap that is slightly less significant than that of productivity (a 38 percentage point difference).

	worked hours/inhabitant		worked hours/inhabitant aged from 15 to 64		added value/inhabitant		added value/inhabitant aged from 15 to 64		added value/worked hour	
	level (hours)	gap to US (%)	level (hours)	gap to US (%)	level (USD PPP)	gap to US (%)	level (USD PPP)	gap to US (%)	level (USD PPP)	gap to US (%)
AUT	792	6	1 207	4	65 953	-24	100 562	-25	83	-28
BEL	685	-8	1 077	-7	66 388	-23	104 322	-23	97	-17
BGR	888	19	1 431	24	36 232	-58	58 384	-57	41	-65
CZE	904	21	1 419	23	51 967	-40	81 564	-39	57	-51
DEU	734	-1	1 155	0	65 770	-24	103 525	-23	90	-23
DNK	739	-1	1 162	0	69 710	-20	109 673	-19	94	-19
ESP	741	0	1 116	-4	51 940	-40	78 249	-42	70	-40
EST	852	14	1 341	16	43 561	-50	68 605	-49	51	-56
FIN	756	2	1 222	6	55 997	-35	90 572	-33	74	-36
FRA	675	-9	1 095	-5	54 829	-37	89 031	-34	81	-30
GRC	1 000	34	1 573	36	38 086	-56	59 932	-56	38	-67
HRV	892	20	1 418	22	40 495	-53	64 387	-52	45	-61
HUN	836	12	1 289	11	40 831	-53	62 987	-53	49	-58
IRL	842	13	1 282	11	131 746	52	200 418	49	156	34
ITA	772	4	1 217	5	54 580	-37	86 067	-36	71	-39
LTU	975	31	1 498	29	48 726	-44	74 874	-44	50	-57
LUX	1 118	50	1 617	40	137 489	59	198 789	47	123	6
LVA	897	20	1 423	23	38 303	-56	60 745	-55	43	-63
NLD	828	11	1 288	11	74 841	-14	116 381	-14	90	-22
POL	927	24	1 430	23	43 687	-50	67 407	-50	47	-60
PRT	943	27	1 495	29	44 729	-48	70 970	-47	47	-59
ROU	827	11	1 291	12	44 227	-49	69 024	-49	53	-54
SVK	731	-2	1 115	-4	42 438	-51	64 763	-52	58	-50
SVN	841	13	1 326	15	50 402	-42	79 496	-41	60	-49
SWE	815	10	1 308	13	62 915	-27	100 939	-25	77	-34
EU27	**783**	**5**	**1 228**	**6**	**56 321**	**-35**	**88 335**	**-34**	**72**	**-38**
US	**745**	**0**	**1 158**	**0**	**86 686**	**0**	**134 790**	**0**	**116**	**0**

Table 1. *Comparison of levels of worked hours per inhabitant and value added per inhabitant and person aged from 15 to 64 in 2024*

Source: *OECD, Rexecode calculations. The data for hours in this table come from National Accounts and may differ from data based on surveys such as the European Labour Force Survey. The choice of National Accounts data for hours is to ensure consistency with value added data that also come from National Accounts.*

Note: *For each column, the cyan colour signals a figure above the US, a red colour signals a figure below the US.*

[6] The levels of hours worked suffer from imperfect comparability due to methodological differences between countries. Thus, the breakdown of value added between hours worked and hourly productivity is fragile.

It is also useful to compare the growth of hours worked per inhabitant and per inhabitant aged 15 to 64 years to evaluate the mobilisation of the labour factor in the EU and the US. It appears that hours worked per inhabitant grew by 2.9% in the EU between 2019 and 2024, while they stagnated in the US. This difference is also found in the growth of hours worked per person of working age.

By increasing its quantity of labour, the EU somewhat compensated for the unfavourable productivity gap relative to the US: while labour productivity increased by 6.3 percentage points less in the EU than in the US between 2019 and 2024, the growth gap for value added per inhabitant is 4.3 percentage points.

However, while most EU countries experienced stronger growth in hours worked per inhabitant than the US, only a minority benefited from stronger growth in value added per inhabitant

	worked hours		value added		
	per inhabitant	inhabitant aged from 15 to 64	per inhabitant	inhabitant aged from 15 to 64	per worked hour
AUT	-4.3	-2.8	-1.0	0.5	3.5
BEL	1.4	2.0	5.4	6.1	4.0
BGR	8.4	12.0	24.5	28.6	14.8
CZE	1.1	2.0	0.7	1.6	-0.4
DEU	-1.9	-0.1	0.0	1.8	1.9
DNK	4.2	4.7	8.4	8.9	4.0
ESP	1.6	1.1	4.2	3.7	2.6
EST	-3.1	-2.9	-3.1	-2.8	0.0
FIN	-0.8	-0.4	-0.3	0.1	0.5
FRA	5.4	5.9	3.5	4.0	-1.7
GRC	11.5	11.5	10.8	10.8	-0.7
HRV	9.7	12.0	23.1	25.7	12.2
HUN	1.0	2.8	8.5	10.5	7.4
IRL	1.6	1.1	26.4	25.7	24.3
ITA	8.2	9.0	8.0	8.8	-0.2
LTU	3.9	3.9	8.9	8.8	4.8
LUX	0.2	0.7	-4.2	-3.7	-4.4
LVA	-2.0	-1.0	7.3	8.3	9.4
NLD	3.0	4.0	4.9	5.8	1.8
POL	5.2	8.6	16.4	20.1	10.6
PRT	4.2	5.9	5.8	7.4	1.5
ROU	2.9	5.2	9.1	11.6	6.1
SVK	-3.7	-0.2	9.1	13.1	13.3
SVN	4.9	7.4	10.2	12.8	5.0
SWE	0.3	0.2	2.8	2.7	2.5
EU27	**2.9**	**4.1**	**5.4**	**6.6**	**2.4**
US	**0.0**	**1.2**	**9.7**	**11.0**	**9.7**

Table 2. *Comparison of growth of worked hours per inhabitant and value added per inhabitant and person aged from 15 to 64 between 2019 et 2024*

Source: *OECD, Rexecode calculations.*

Note: *For each column, the cyan colour signals a figure above the US, a red colour signals a figure below the US.*

About us

European Employers' Institute (EEI)

The European Employer's Institute is a not-for-profit association established in Brussels in 2024. The Institute aims at supporting its members to promote social dialogue and developing a business-friendly regulatory environment by collecting documentation, conducting research, and producing studies on strategically important issues in the world of work.

Its areas of work include labour market and social policy, industrial relations, occupational health and safety (OHS), skills development and workplace transformation. Its members are cross-industry and sectoral employers' organisations operating at both European and national levels.

The EEI's activities consist of collecting data and information, analysing topics relevant to employers, conducting studies, establishing networks of researchers and research organisations in the fields of industrial relations and labour law, and supporting social dialogue on horizontal and sectoral levels.

The European Employers' Institute's members include Ceemet - European Tech & Industry Employers, the European Banking Federation (EBF), the European Chemical Employers Group (ECEG), EuroCommerce, FIEC, European Employers' Group of Professional Agricultural Organisations (Geopa), HOTREC, SMEunited, The World Employment Confederation Europe (WEC Europe), as well as Byggforetagen, The Confederation of Danish Industry (DI), Norsk Industri, Föreningen Industriarbetsgivarna (The Swedish Association of Industrial Employers), Gesamtmetall, IKEM – Innovation and Chemical Industrie, Technology Industries of Finland, Teknikföretagen, and UIMM.

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