

# National Institute Economic Review

## 1/99

### COMMENTARY

- The UK and the world economic situation

### THE UK ECONOMY

- Slower growth this year
- Fiscal report

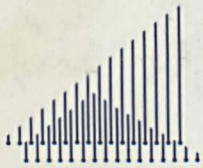
### THE WORLD OUTLOOK

- Slowdown in Europe
- Global inflation pressures weak

### RESEARCH ARTICLES

- Christopher Dow on Major Recessions
- Sushil Wadhvani on the US equity market
- Ken Wallis on inflation uncertainty

No 167 January 1999



... from the National Institute

### **NIESR Discussion Papers**

*No. 140 A tale of two cycles: closure, downsizing and productivity growth in UK manufacturing, 1973–89 by Nicholas Oulton*

Contrary to a commonly held view, closures did not play a major role in accounting for productivity growth in 1979–89. Establishments which exited had lower productivity than survivors but the exits were replaced by entrants which also had low productivity. Most of productivity growth was due to growth within survivors. The greatest gains occurred in the 36 establishments employing 7,500 or more in 1979; these accounted for a third of productivity growth amongst survivors. Most productivity growth occurred in establishments which downsized employment. But despite an overall fall of a quarter in employment, 16% of productivity growth occurred in establishments which expanded employment. The main difference between 1973–79 and 1979–89 was in the productivity growth rate amongst survivors. In 1973–79, it was negative overall and over half of employment was initially in establishments where productivity fell.

*No. 141 Investment, capital and foreign ownership in UK manufacturing by Nicholas Oulton*

Physical investment in UK manufacturing is studied here from the viewpoint of the individual establishment, ie business or plant. Using the new longitudinal database of the Census of Production, the ARD, a sample of 1,752 establishments which survived over 1973–93 is constructed and their capital stocks estimated. These survivors accounted for about a third of manufacturing employment.

*No. 142 Measuring employment security using employers' attitudes by Véronique Genre, Julian Morgan and Caroline Wilson*

Based on survey evidence on European employers, this paper seeks to develop a cross-country measure of the strength of employment security. It identifies the factors that appear to determine firms' views of the strength of employment security in Europe, finding that firms' assessments appear to reflect the influence of legal restrictions, trade union strength and the prevalence of atypical employment.

*No. 143 Labour productivity and foreign ownership in the UK by Nicholas Oulton*

Previous studies have found that in manufacturing foreign-owned companies have a substantial productivity lead over domestically-owned ones, but is the same true in the rest of the economy? We investigate this question using a very large database of company accounts. The answer is yes. After controlling for industrial composition and other factors, foreign ownership was found to raise productivity by about a third in non-manufacturing. The foreign productivity lead, which is about the same over UK subsidiaries as over UK independents, can very largely be explained by higher capital per employee and a more skilled labour force.

**Institute Discussion Papers are available at £4 each, or on subscription at the discounted rate of £30 for 10 papers.**

**For further details of these and all National Institute Publications please contact Annie Stewart at NIESR on tel 0171 654 1923 or e-mail [a.stewart@niesr.ac.uk](mailto:a.stewart@niesr.ac.uk)**



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The *Review* welcomes the offer of high quality articles. Content should relate in some way to the explanation of economic performance (broadly defined) in the UK or internationally. There is some emphasis on quantitative research. Articles should normally be research based, and comprise 4–10,000 words, excluding tables. All articles are externally refereed, but the *Review* is able to organise quick publication in appropriate cases. Full notes for contributors are available from *Fran Robinson*.

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