

Abstract for “Sectoral Productivity in Developing Countries”

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Differences in total factor productivity (TFP) are the dominant source of the large variation of income across countries. This paper seeks to understand which sectors account for the aggregate TFP gap between rich and poor countries. I propose a new approach for estimating sectoral TFP using panel data on sectoral employment shares and GDP per capita. The approach builds a three-sector model of structural transformation and uses it to infer time paths of sectoral TFP consistent with the reallocation of labor between sectors and GDP per capita growth of a set of developing countries over a 45-year period. I find that relative to the US, developing countries are the least productive in agriculture, followed by services and then industry. The findings are consistent with the evidence from micro data and the approach has the novelty to measure sectoral TFPs over the long term.