



## New CER report explains why Britain has a growing productivity gap with France

Average wages in Britain are only slightly higher than they were in 2007. That extraordinary fact is down to extremely weak productivity growth after 2008. France, on the other hand, managed to keep pace with US output per hour in the decade after the financial crisis. French incomes are similar to British – and lower than American – largely because French people tend to ‘bank’ higher productivity by working fewer hours, rather than earning more.

A new CER policy brief, [‘French lessons for Britain’s economy’](#), finds that contrary to the popular view – that the biggest constraint on UK growth is its planning system – macro-economic forces have been crucial to the bigger productivity slowdown in Britain.

The investment bust after the financial crisis was bigger in Britain than in France, and the UK’s recovery was weaker than in the US. That was true of investment in property, in other physical assets like machinery and computers, and in ‘intangibles’ such as R&D and branding. The Brexit vote in 2016 then snuffed out the investment recovery in all three asset classes.

The 2008 crisis damaged productivity in finance and manufacturing more in the UK than France, and Brexit has curtailed output and exports in those sectors since.

The report’s author, John Springford, argues that the Labour government’s ‘industrial strategy’ should focus on professional services, tech, media, scientific research and other ‘knowledge services’, which have shown rapid growth in exports and output since 2016. They are also more Trump-proof, since tariffs are largely applied to manufactured goods. The report sets out reforms that would help those sectors to grow – many of which France has already enacted – including a wider set of assets that are eligible for investment tax breaks, policies to promote larger and denser urban labour markets, and less onerous immigration rules for knowledge workers.

Commenting, John Springford said:

*“Aside from finance, the knowledge economy is less affected by the trade barriers that Brexit has imposed. Labour’s industrial strategy should push at open doors – the professional services, science and tech industries have been out-performing European peers since 2016, and government has the power to help them.”*

**Notes for editors:**

To discuss the policy brief or request an interview with John Springford [@JohnSpringford](https://twitter.com/JohnSpringford) and [@johnspringford.bsky.social](https://bsky.app/profile/johnspringford.bsky.social) please contact Kate Mullineux in the CER press office on [pressoffice@cer.eu](mailto:pressoffice@cer.eu) or +44 (0) 20 7233 1199.

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