

More: The Problem with Productivity

Nick Spencer, Hannah Rich and Nathan Mladin



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Published by Theos in 2024

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ISBN 978-0-56-403873-2

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Report

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Nick Spencer, Hannah Rich and Nathan Mladin



This report in 60 seconds



- There is a relentless emphasis on improving productivity today – and with good reason. Productivity is, economically speaking, extremely important. But productivity is an unexamined idea, one of those words that ‘think for us’.
- The challenge posed at the heart of this report is: Productivity of what? What are we trying to produce more of, and why?
- Productivity at its deepest and most profound level is not a matter of creating more stuff but of forming better ‘persons’. Improving productivity levels can enable that, but it may not. In particular, when it comes to activities in which the human dimension is central, improving productivity can be counterproductive.
- As developed economies become ever more service-based, this can become a serious issue. Encouraging people to become productive in such service interactions can undermine the personal, human good inherent in the activity itself.
- And although AI can boost productivity in many sectors, including the service sector, it is not a solution to the problem of productivity outlined in this report and poses risks to essential human goods and values.
- Ultimately, as we seek to solve our ‘productivity problem’, we need to avoid idolising productivity or allowing it to corrode what is most precious to us.



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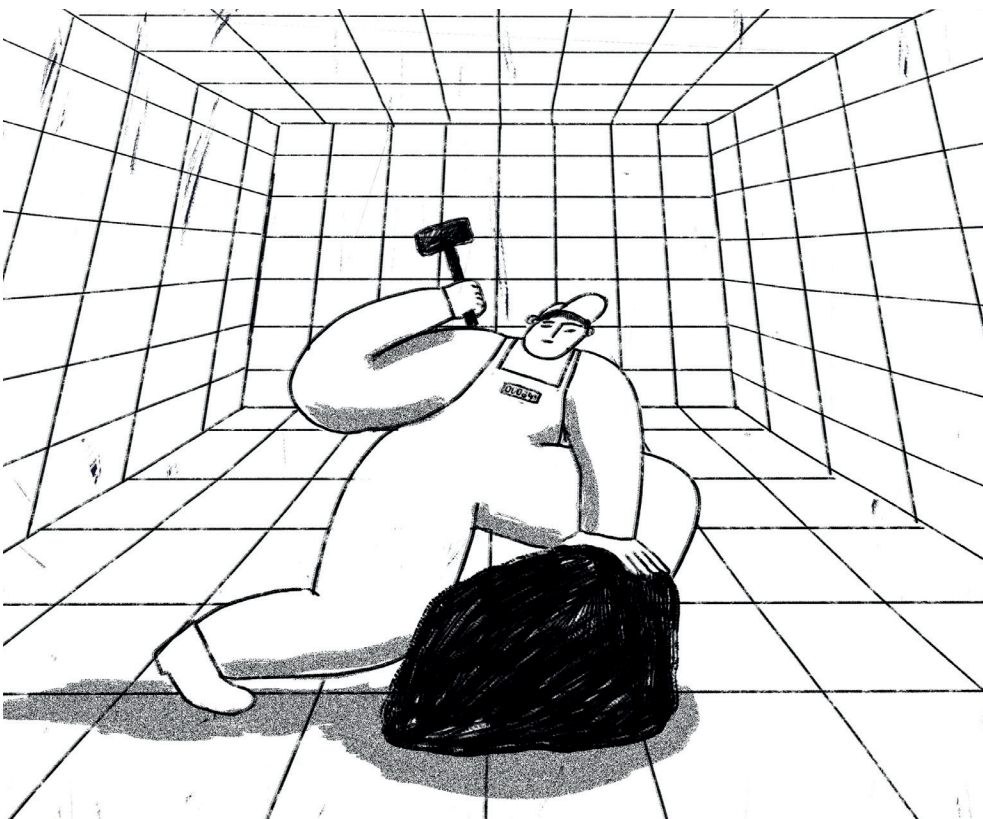
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Introduction



“Productivity isn’t everything, but in the long run, it’s almost everything.” So wrote the Nobel laureate economist Paul Krugman.¹ The statement encapsulates the way that productivity has become a near obsessive focus of economic policy and an essential part of the quest for economic growth. Beginning in the latter half of the 20th century, growth and productivity – we will come to the difference between them and other terms used in this report shortly – have been viewed as vital indicators of the health of an economy. Growth, in particular, became the ultimate goal, as “politics around the world became focused primarily on making the economic pie bigger,” but increased productivity was understood as the best way of attaining that.²

For politicians across the spectrum, the rhetoric of productivity – and the importance of improving it – became, and remain, self-evident. In his Mais Lecture at Bayes Business School in February 2022, the then Chancellor Rishi Sunak described how “over the longer-term, the most important thing we can do is rejuvenate our productivity”.³ Sunak mentioned productivity a total of 22 times in his lecture. On the other side of the political aisle, when he set out Labour’s vision for economic growth as Leader of the Opposition in July 2022, Sir Keir Starmer also emphasised the fundamental importance of “spreading power and raising the productivity of the economy everywhere”.⁴ Two years later, the then Shadow Chancellor Rachel Reeves delivered her own Mais Lecture, on economic growth, in which she mentioned productivity 16 times.⁵ More recently, the ideas of economic growth and productivity have been central to the vision of the new Labour government. Productivity, it seems, is almost everything.

The problem with things that are “almost everything” – things that are so fundamental and essential to the way we live that they are beyond reasonable doubt – is that they often escape scrutiny. Productivity is so obviously, so self-evidently important and necessary, that we omit to ask why or, more heretically, *whether* that is the case. What might an excessive focus on productivity obscure from view? Is it necessarily the case that improvements in productivity will make our life better? What even is productivity?

In this report, we set out to ask these questions and explore how we might understand productivity as one aspect of economic life rather than something all-consuming. Without trashing the entire concept, we try to understand productivity in such a way as puts it back in the box. This is (obviously) an economic issue but not only an economic issue. The concern with maximising productivity has seeped from the realm of economics and the market into wider culture, public imagination and even our personal lives. Self-help books promising to help us improve our individual productivity litter the bestseller charts. A cursory search of an online bookstore offers books promising to “help you do more of what matters to you”⁶ and teach readers to become a “productivity ninja” and to “worry less, achieve more and love what you do”.⁷ Alongside them sit a whole host of personal journals and diaries designed to banish procrastination and improve individual productivity. There is more than a hint of irony to the fact that there is a growing and lucrative market for individual productivity hacks at the same time that our collective economic productivity appears to be stagnating.

What is productivity?

In simplest terms, productivity is a matter of how much you get out for what you put in, whether that is time, material resources or people power. Measuring it involves comparing what resources go into an economy or business with what results – products or services – come out. This is typically calculated as a measure of labour productivity, derived from the Gross Domestic Product (GDP) per worker, or the ratio of input to output. Being more productive (in economic terms, referred to as ‘productivity growth’) is usually taken to mean doing more with the resources you have.



Productivity is about the measure of output per unit of input; efficiency is about the effective and economical use of resources in any process of production.

The terms productivity and efficiency are commonly used interchangeably, and we have often been tempted to do the same in this report, but there is a subtle difference between them. Whereas productivity is about the measure of output per unit of input, efficiency is about the effective and economical use of resources in any process of production. Productivity is about maximising output for a given input, efficiency is about using resources optimally and minimising the waste within a given process. Both contribute to the wider goal of improving economic growth, the increase in the amount of goods and services that are produced in an economy, and critics will point out that the two amount to more or less the same thing, namely improving the ratio between output and input. Discourses of efficiency and productivity do indeed rub shoulders with one another, but in this report we have focussed on the widespread demands to get more from what we do, and in particular from the people that do it.

Slow productivity growth threatens overall economic growth. It is harder to improve living standards without economic growth, and it is hard to grow the economy as a

whole without improving our collective productivity. As Steven Pinker has written, “though it is easy to sneer at national income as a shallow and materialistic measure, it correlates with every indicator of human flourishing.”⁸ For large swathes of the 20th education and the expansion of the workforce. In the course of the last hundred years, we have demonstrably reaped the benefits of a growing economy and improved productivity to an unprecedented degree.

Higher productivity means more goods and services for the same input. In agricultural contexts it literally means more food. It usually means lower prices, since products that are being produced quicker or with less resource can be sold for less. Higher productivity can mean higher wages since producing more goods or services for the same resource means greater revenue relative to the costs. There is also evidence to suggest higher wages drive higher productivity too, creating a positive feedback loop. Increasing productivity over the course of the 20th century has led to a rapid improvement in living standards, better healthcare, and improved life expectancy. More food, lower prices, higher pay, better health, increased living standards, and greater longevity: productivity really does matter. All of which means it is no surprise that politicians and economists and all sensible people get worried when productivity growth flatlines as it has in Britain (and beyond) for a number of years.

Our productivity problem

For all the attention given to making us productive as a nation, the UK’s record on productivity is weak. UK national productivity has consistently lagged behind both the Eurozone and the OECD average.⁹ When the Office of National Statistics (ONS) first compiled comparative international data in the

early 1990s, the national productivity of the UK was 9% lower than the average of the rest of the G7. This gap narrowed over the following decade, and by the start of the 2007 financial crisis, it stood at 4%. Growth in productivity has been notably slow since the 2008/9 recession, however, with all countries subject to the economic shock of it, not least the UK, where the recovery has been slower than most.

Since 2008, the UK's productivity has almost stalled, growing at a much slower rate than its comparators. In 2021, the UK ranked last of the G7 nations in terms of output per worker, excluding Japan for which no data were available. Canada, France, Germany, Italy and the USA all performed better than the UK in 2020 too. Judged by output per hour, UK productivity is roughly comparable to Italy, while the American economy is estimated to be 23% more productive than the UK's. The equivalent figure for France is 18% higher and for Germany it is 10% higher.¹⁰

The reasons why the UK in particular struggles with this are many and varied. In his 2022 Mais lecture, Rishi Sunak attributed it to three issues: (a lack of) private sector investment, lower levels of technical training, and a lesser culture of innovation. On the first point, Sunak cited research from the Resolution Foundation and LSE showing that lower capital investment per hours worked is the single biggest factor in the UK's comparatively worse performance than France and Germany. This accounts for as much as half of the gap.¹¹ On his second, Sunak noted that, once again, the UK lags behind the OECD average for vocational training. Less than one in five 25 to 64-year-olds holds vocational or technical qualifications, a third lower than the OECD average.¹² At all levels of employment, UK employers spend less than half the European average on in-work training.

On his third point, regarding the culture of innovation, Sunak cited various statistics suggesting that UK business is less innovative than its competitors, measured in terms of the rate of investment in research and development (R&D) relative to other economies. Other countries have seen the share of GDP devoted to R&D investment increase by up to 50% in recent years, yet over the same period the UK's equivalent has flatlined or fallen. Furthermore, as Daniel Susskind notes, even the best performing countries by this measure (among which the UK does not count) are dwarfed by the R&D investment within top companies like Microsoft and Apple.¹³

This presents a coherent and plausible – if not exhaustive – explanation as to why UK productivity growth has been comparatively poor of late. Other explanations exist, with commentators noting that government investment in infrastructure has also been comparatively low, that Brexit caused a degree of uncertainty that deterred investment and inhibited the development of a consistent, long-term industrial policy, that the UK economy has been overly and complacently reliant on the financial sector for too many years, and that British management practices are themselves comparatively inefficient.

Whatever the causes – and a complex problem like productivity is liable to have numerous causes – the result has been a loud, unequivocal and univocal chorus calling for improvements. And given the established correlation, noted above, between productivity, growth and human wellbeing, who in their right minds would question that?

We would! Well, not quite. This report is not an exercise in believing six impossible things before breakfast. The broad correlation between productivity, growth and human

wellbeing is well-established and we do not intend to deny that or to claim that political desire – whether from Rishi Sunak or Rachel Reeves – to improve productivity levels is mistaken.

We do, however, want to interrogate the idea of productivity, to probe the assumptions that feed into it, and to question whether, in our attempts to improve the recently sluggish levels of productivity growth, we might be in danger of severing the correlation between productivity and human wellbeing that ultimately makes productivity growth something worth pursuing.



We want to interrogate the idea of productivity and to probe the assumptions that feed into it.

The report has two main parts to it. The first probes the idea of productivity, using the delicious satire of Jonathan Swift to launch into a discussion of what exactly productivity means in different sectors (agriculture, industry, service) and different roles (teaching, healthcare, creative arts, etc). The chapter pivots on the idea that human beings, whose good productivity improvement is ultimately intended to serve, are “persons”, fundamentally relational beings, and that our deepest good can, if we are not careful, be harmed by our striving for ever better productivity.

Part two then looks at why this is particularly relevant today. As Britain (and other countries) are dominated by the service sector, the productivity challenge becomes ever more severe (because it is harder to improve the productivity of this sector compared with, say, industry) and the temptation to replace meaningful and humanising personal contact with automatic processes becomes greater. The enormous possibilities offered by AI only underline this. Without dismissing calls for productivity improvements altogether, this is the moment, we argue, where we most need to be

cognisant of the irreducibly and irreplaceably personal dimension of many economic and social interactions. The conclusion summarises these points and indicates exactly what kind of questions we should be asking ourselves as we pursue productivity improvements.

Throughout the report, we have interspersed a series of real-life vignettes – summaries of interviews with ordinary people, doing mostly ordinary but important work – which reflect on what productivity means for them, and how their attitude to it informs what they do, and vice versa.

Ultimately, we argue that the moral significance of productivity differs according to what it is we are producing, and that producing *things* is different to producing experiences, events, services, or care – the kinds of activity in which the personal element is more important, and sometimes fundamental. As we move ever further into a service-based economy, in which human interactions are central to our exchanges, an unqualified emphasis on improving productivity can lead to undermining the very kinds of personal connections that make us human. In short, in seeking to respond to our problem *of* productivity, we are at risk of overlooking the problem *with* productivity. When pursuing it, we should always try to ask, productivity of what?

- 1 Paul Krugman. *The Age of Diminished Expectations* (Cambridge, MA: MIT Press, 1994).
- 2 Daniel Susskind. *Growth: A Reckoning*. (London: Penguin Books, 2024), p. xviii.
- 3 Rishi Sunak's Mais Lecture, 2022: www.gov.uk/government/speeches/chancellor-rishi-sunaks-mais-lecture-2022
- 4 Keir Starmer's speech, July 25th 2022: www.policymogul.com/key-updates/24017/keir-starmer-s-speech-in-full-setting-out-labour-s-mission-for-economic-growth
- 5 Rachel Reeves' Mais Lecture, 2024: www.labour.org.uk/updates/press-releases/rachel-reeves-mais-lecture/
- 6 Ali Abdaal, *Feel-Good Productivity: How to Do More of What Matters to You* (London: Cornerstone Press, 2023).
- 7 Graham Allcott. *How to be a Productivity Ninja: Worry Less, Achieve More and Love What You Do*. (London: Icon Books, 2019).
- 8 Steven Pinker. *Enlightenment Now: The Case for Reason, Science, Humanism, and Progress*. (London: Penguin Books, 2018).
- 9 ONS international comparisons of UK productivity, final estimates, 2021: www.ons.gov.uk/economy/economicoutputandproductivity/productivitymeasures/bulletins/internationalcomparisonsofproductivityfinalestimates/2021
- 10 John Fernald and Robert Inkaar. *The UK Productivity "Puzzle" in an International Comparative Perspective. Working Paper No. 020*, 2022: www.productivity.ac.uk/wp-content/uploads/2022/12/WP020-The-UK-productivity-puzzle-in-an-international-comparative-perspective-FINAL-cover-010422.pdf
- 11 Paul Brandily, Mimosa Distefano, Hélène Donnat, Immanuel Feld, Henry G. Overman and Krishan Shah. *Bridging The Gap: What would it take to narrow the UK's productivity disparities?* (London: Resolution Foundation): www.economy2030.resolutionfoundation.org/wp-content/uploads/2022/06/Bridging-the-gap.pdf
- 12 Rishi Sunak's Mais Lecture, 2022.
- 13 Daniel Susskind. *Growth: A Reckoning*.

Lizzie – midwife

Lizzie is an experienced midwife. Before the pandemic, she led a home birth team supporting vulnerable women. More recently, alongside her ongoing clinical duties, she serves as a clinical advisor for a maternity safety organisation that focuses on systemic improvements without assigning individual blame.

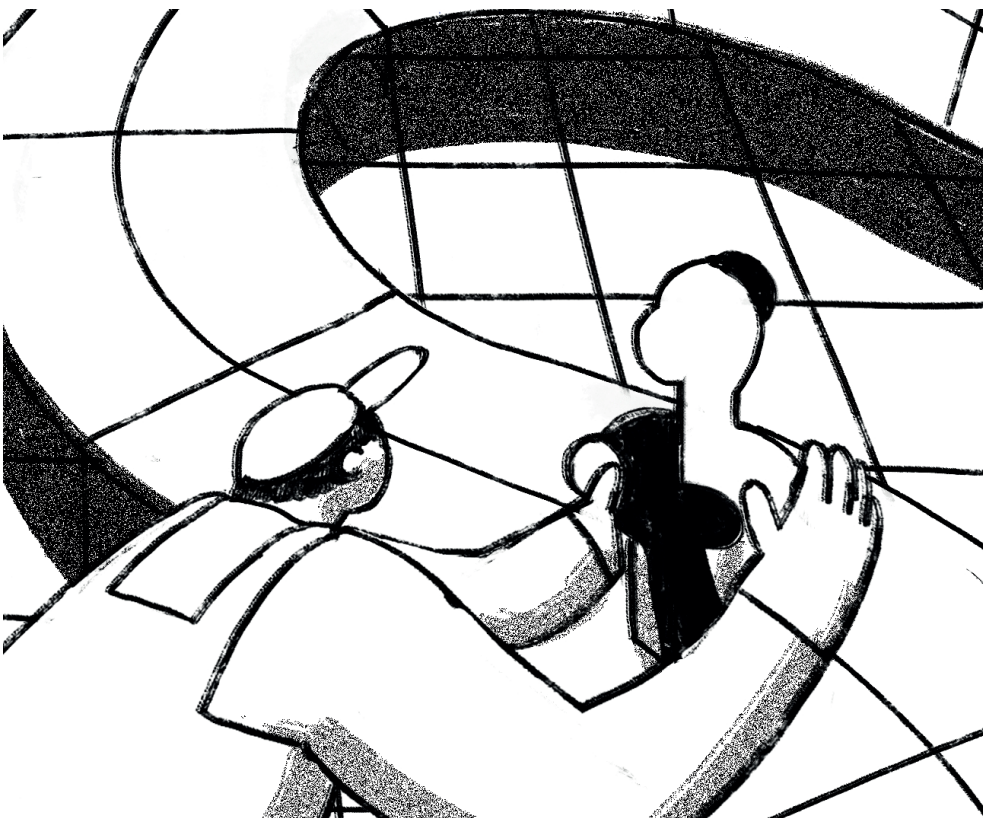
“In the labour ward, there’s a push to move patients quickly, which often sacrifices the moment of rest a new mother might need. It’s a stark example of capitalist values like productivity overshadowing quality of care,” Lizzie notes. She goes on to describe, in contrast, the approach they took with the home birth team: “It was quality over quantity. We didn’t see as many people, but we gave them the care that they needed for a good outcome. Quality interactions in maternity care are so important and can significantly influence maternal and neonatal outcomes,” she says.

Staffing shortages, the impact of austerity, and the push towards privatisation of healthcare, in the context of a broader devaluation of care work, have added a lot of pressure on the NHS, which she calls “the country’s biggest social justice system”. This explains, in part, why capitalist values and standards have taken root. But the fruit that’s ripened is bittersweet: “In healthcare, we face the paradox where our focus on productivity can actually become unsafe. With a system designed around short-term gains, we overlook the long-term investment in health, which leads to bad health outcomes in the long run.” Lizzie says she would like to see the health system taking a “salutogenic” approach – promoting health and wellbeing not simply treating diseases, and not losing sight of what healthcare is all about: “caring for each other as humans”.



6

Probing productivity



Two ears of corn

“And he gave it for his opinion, that whoever could make two ears of corn or two blades of grass to grow upon a spot of ground where only one grew before, would deserve better of mankind, and do more essential service to his country than the whole race of politicians put together.”

So remarks the King of Brobdingnag in the second part of Jonathan Swift’s *Gulliver’s Travels*.¹ Brobdingnag is “wholly secluded” from the rest of the world. The king is ignorant of other nations’ customs. And yet, in Swift’s hands, the king’s ignorance is wisdom and his prejudice enlightenment. He is horrified by Europe’s bloody history of warfare, sceptical at the claim that Europeans have “reduced politics into a science”, and is certain that the best service anyone could do humanity has nothing to do with politics and everything to do with agricultural productivity.

The king was, of course, right. Swift was writing in the 1720s, a few decades into a ‘revolution’ that would significantly improve Britain’s agricultural productivity. That increase would, in turn, feed the subsequent industrial revolution, creating a surplus population that migrated into urban areas and provided cheap labour for new workshops and factories. These factories and these workers then made the modern world. It is no coincidence that the word “productivity” first appeared in English in 1809, in the midst of the Industrial Revolution, taking over from the word “productiveness”, which itself was coined in 1727, in the midst of the Agricultural Revolution.²

Up until the late 18th century, any improvements in agricultural productivity had proved temporary. More food created more mouths to feed, and because mouths outgrew

food supply, people died, population growth stagnated and things returned to how they had been without any sustained improvement to quality of life or economy. Humans were caught in a 'Malthusian trap', with population growth continuing to outpace agricultural growth, and unable to achieve a rate of growth fast enough to escape the trap. In fact, it was only when the human ability to extract energy from fossil fuels dismantled the trap altogether that productivity increase became a constant, sustained and defining feature of life.

At this point, around the year 1800, the circle became virtuous. Energy extraction enabled vast improvements in transportation and communication, which made industrial processes still more productive and efficient. Trade liberalisation enabling exchange. Investment catalysed new technology. Universal education accelerated things still further. Productivity became the mark of modernity. To be modern was to be productive.

Although there is a long running debate about how rapid the take-off was, the fact that the industrial revolution revolutionised productivity has never been in question.³ And yet there is another side to this story. However much productivity increased in Britain between the mid-18th and mid-19th centuries, human health and life expectancy didn't. The physical height and condition of many people declined over these years. Life expectancy stood at 39 in 1765 and at 41 a hundred years later. In some places it was vastly less. Life expectancy in Birmingham in 1840 was 36 years and in Manchester and Liverpool it was as low as 29.⁴ It varied according to class and occupation. In 1840s Liverpool, "the gentry and professional classes had an average life expectancy

of 35, tradesmen 22 [and] mechanics, servants, and labourers – the vast majority of whom lived in cellars – only 15”.⁵

As these figures suggest, there can be many hidden costs to productivity growth, and while there is a recognised link between a growing economy and human flourishing, this is not inevitably the case. Material productivity can come at a human cost – especially as society faces new challenges, as is the case in our current age of climate crisis. Objective measures of productivity that revolve around how much stuff is produced can be in real tension with objective (and indeed subjective) measures of human wellbeing.

We will touch on some of these in this chapter as we probe the idea of productivity and begin to pinpoint the problem with the concept. At this stage, however, it is sufficient to note that tensions around the idea of productivity – in particular the tension between the goods produced and the good of those producing them – are not new and have been around for a long time.

The human side of productivity: five short stories

These tensions remain evident today. Some are explored in the real-life case studies throughout this report, which tell stories from individuals working in healthcare, art, architecture, and other sectors, in which they report challenges and problems with the idea of productivity in their work. A number of those themes are brought out in the following five vignettes of the rather ordinary ways in which productivity plays out in contemporary life. Unlike the case studies, these five stories are fictionalised (although drawing on some real-life experiences) to enable us to focus in on the problems with productivity.

Alice is an elderly lady who lives in assisted living accommodation. She is 99 years old and nearing the end of her life. She needs help to move around her small flat and, increasingly, to feed and clothe herself and to visit the toilet. Her carers, almost all of whom are young women from the Philippines, are magnificent. They treat Alice with care and sensitivity, affording her as much dignity as the circumstances allow, but it is hard, physical work for them. It is often slow work, demanding the attention of two carers. As Alice ages and requires more sustained care, her carers' days are becoming palpably less productive, as it takes more of them more time to help Alice do the things that, until recently, they could do faster or she could do for herself.

Beatrice is a GP who sees up to 30 patients in her surgery every day. There is always a variety of cases, from people with mild anxiety, through those with simple, easily identifiable conditions, to some with multiple and complex morbidities. No matter how busy Beatrice or her practice is, there are always more patients to see, and accordingly there is always pressure to make the working day more productive by seeing more. There are various ways this might be achieved. The most obvious, perhaps, is to reduce the standard consultation time from ten to eight minutes in order to see more patients in any one day. Another alternative that Beatrice's colleagues in a different practice have opted for is to direct more patients to other medical staff – for example, community paramedics, pharmacists, physician associates and care co-ordinators⁶ – who, while not being qualified medics, do have the ability to meet (some of) people's needs.

Charlie is a primary school teacher who teaches Year 5s. Over the last few years, he has noticed growing problems with the attention and behaviour of the 10- and 11-year-olds

in his class. He puts this down to various factors, in particular smart phones, despite their being banned in class. This year, like most, Charlie has 26 pupils in his class, but new housing is being built nearby and he knows he will soon have classes at the maximum of 30 pupils. He worries about this. Giving all the children the attention they need has always been challenging – there are some very different, and sometimes special, educational needs in his class – and that is going to become still more difficult when he has 30 children to consider.

David and **Emily** are a retired couple who look after their preschool grandchildren two days a week. They do grandparent-y things with them: visiting the park, playing on the swings, devising those “funducational” games that grandparents are so good at inventing. They tend not to go into the local town for coffee because they find it quite stressful: cafés are expensive and trying to marshal two slightly hyperactive pre-schoolers in a confined public space is no one’s idea of fun. They find the days exhausting but supremely rewarding. The grandchildren adore it.

Florence organises amateur classical music concerts. She is planning the programme for her next concert, discussing with her lead musicians about which pieces they should perform. They know their audience and they know it loves their work, but they also know that seats on which they sit in the local parish church where the concerts are held are hard and uncomfortable. They’re well aware that two hours, even with an interval, is about the upper limit of what people will tolerate. This does not sit well with the pieces they want to perform, and Florence suggests to her musicians that either they extend the concert to 2½ hours, or have the performers play the pieces faster than normal.

None of these examples, except perhaps the last, is in any way out of the ordinary. Each in its own way draws out some of the problems with the concept of productivity – or, more precisely, the problems that arise when the idea is applied to certain human activities that are particularly *personal*.

The personal dimension

The fundamental idea of productivity, as described by the King of Brobdingnag, is easy to understand. Agricultural land is more productive when it produces a greater crop. Cottage industries are made more productive when they are mechanised. Factories are made more productive when their processes are automated. In each of these cases, there is often a hidden environmental cost that is bracketed out of the productivity calculation, whether it is the energy-intensive agrochemicals used to improve soil nutrients or the fossil fuels needed to mechanise cottage industries. Such elements can take the edge off productivity claims. But even when they are brought back into the equation, it is clear that claims for productivity improvement are reasonable.

However, as we noted in the opening section of this chapter when looking at the industrial revolution, there can also be tension between the specific good that is being produced and the overall good of the production process, especially when that overall good incorporates the good of the human who is producing the stuff in question. Looked at through this wide lens, *it is not simply the case that greater material productivity leads to improved human wellbeing*. Being more productive does not necessarily mean being better, humanly speaking.

When we are dealing narrowly with material goods – such as improvements in agriculture or factory production – this

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Being more productive does not necessarily mean being better, humanly speaking.

potential gap (between productivity and wellbeing) is narrow. Improving the productivity of agriculture, then industry, then business, has enabled humans to spend less time doing physically exhausting and often dangerous activities, and more time in leisure and less demanding work. This does, in turn, improve overall human wellbeing.

Moreover, even when productivity improvement does harm human good – for example when workers are treated badly in a newly-productive industrial factory – this can often be addressed through legislation without destroying the increases in productivity. Prohibiting the inhumane working practices of the early industrial revolution did not destroy Britain's productivity gains. On the contrary, there is a strong argument that improving workplace conditions benefits basic human wellbeing as well as material productivity.

When it comes to personal as opposed to material goods, however, there is a stubborn tension between improvements in wellbeing and productivity. To understand this we need to explore a little what we mean by a personal good and, more generally, what defines us as 'persons'.

These are questions about which philosophers and theologians have thought for centuries, and their insights have relevance to our wider discussion about productivity. In seeking to understand the relationship between God, Jesus and the Spirit – how the New Testament documents could speak of each of them as being divine without sacrificing the cardinal belief that God is One – early theologians borrowed the Greek word *prosôpon*, which was rendered into Latin as *persona*, from which we derive the modern English word 'person'. These terms originally carried connotations of 'face' or theatrical 'mask', but their theological usage evolved significantly.

Rather than signifying merely outward appearances or roles, ‘person’ came to express the deep, eternal, and mutually constitutive relations within God’s very being. Each divine ‘person’ is fully God, yet distinctly so, existing in an eternal communion of love and mutual indwelling with the others.

Building on this Trinitarian conception of God, human personhood also came to be understood as fundamentally relational. Just as the divine persons exist in eternal, loving relation to one another, so too are human persons fundamentally relational beings. We are not isolated individuals but beings whose very essence is shaped by our relationships.

By this understanding, personhood is essentially “relational” or “social”. To be a person is to be in relationship, specifically a relationship in which that moment of interpersonal contact is in itself the good, rather than simply a vehicle for a different good. Humans are persons, existing in relationship with others. The “human person” has “an infinite dignity, inalienably grounded in his or her very being”, an “ontological dignity that belongs to the person... simply because he or she exists and is willed, created, and loved by God.”⁷ Much in the same way as the deepest and most profound relationships in our lives should be their own end and not simply an instrument for any other good, so, properly speaking, the personal is not reducible to something else but is its own good, its own end.

Approached this way, we can see how we arrive at our contemporary idea of the “personal”, as in personal services. A personal service is one in which the relationship is important to the activity itself, such as is often the case with teaching, or caring, or healing, or pastoring (at least in theory). This

is not (normally) the case with agriculture, or industry, or office work. That is not to claim that personal activities have no place in such contexts. Most people enjoy their work in large part because of the personal relationships they develop there. And if, as we have argued elsewhere, work itself is a response to the divine work of creation,⁸ it can and should be done in a way that builds relationships and honours creation. The primary objective of such work, though, is to grow or to manufacture or to sell, etc., rather than to build relationships and foster “personhood”.

There are, however, plenty of activities in which the relationship is not an accidental or additional good, a by-product of working on the factory floor or in an open-plan office for example, but *actually the good itself*. What is being produced is, in some measure, irreducibly personal or relational. Importantly, as we shall go on to explore in the next chapter, these activities are playing an increasingly important role in developed economies.

Sister Catherine – nun

Sister Catherine is a nun who has belonged to the Sisters of the Assumption, a Roman Catholic religious order, for 40 years. Before she became a nun, she worked extensively in finance, housing associations and the third sector. She studied for an MA and PhD in Catholic social teaching and its applicability to business ethics in the finance sector. She is an expert on Catholic theology and business ethics and consults for various companies and investors in that space as well as doing what she calls “various nunly things” as part of her community life. Her economic expertise is such that she has been called ‘the nun who saw’, referring to her having foreseen the 2008 economic crash long before most experts in the field imagined it.

Asked what she thinks of when she hears the word ‘productivity’, Sister Catherine says “I think, what a load of tosh” and prefers to think in terms of fruitfulness.

“Clearing your inbox is productive but isn’t necessarily fruitful. Fruitfulness is something generative, not just productive or accumulative. Productivity relies on a narrow understanding of the human person and an anxiety about tangible results, which doesn’t allow for the generative. I might produce 400 widgets now but produce 500 if I read this glossy self-help book, but if I can’t sell 400 because there’s a glut, what is the point? How is that fruitful?”

She says that the divine office – the regular pattern of prayers that her community of nuns observe throughout the day – provides a rock and framework for the day as well as for life. This “punctuates the day” with prayer and contemplation, which in turn shapes her discernment of economic ideas. The psalms, for example, provide a “shared history” and an opportunity to read about other people screaming at God about injustice in a way that is relatable.

“It’s about trying to see the world the way Christ does, which means looking at everything differently. It isn’t bad to be more efficient in your work, but the goal isn’t to be so in order to make more. The goal is to be bringing about the Kingdom of God.”



Productivity and persons

In the first of our fictionalised stories, the ostensible or proximate good provided for Alice by her carers was food, or being clothed, or visiting the toilet. But this was only part of the overall picture. Just as important was the manner – the slow, careful, gentle, friendly, patient, attentive, conversational, and compassionate way – in which the carers treated her. The ultimate, if somewhat intangible, good provided for Alice by her carers was deeply personal.

This is not to claim that the carers themselves were not interchangeable. Alice had different carers on different days and although there was undoubtedly a benefit from the familiarity and friendship she built up with some of them, a number of different carers helped her in her final years, all with great professionalism. In this instance, as in so many others in care homes and assisted living arrangements around the country, the ultimate good being recognised and provided was *the dignity of the person in question*. And that being so, any attempt to improve productivity when it came to the provision of the ostensible goods – e.g. to feed, clothe or toilet Alice faster so that the carers could feed, clothe or toilet more residents in a day – risked undermining or even destroying the true good – personal dignity – that was being served.

The idea of improving the productivity of GPs takes a similar pattern, as Beatrice's story illustrates. The first option suggested – giving GPs less time with each patient in order to see more in a day – might well increase the productivity of the surgery, in the sense of increasing its daily throughput. But it would almost certainly come at the cost of the medical care that is being 'dispensed' in the encounter. More productivity leading to more throughput risked leading to less personal care and less dignity. (Moreover, it is highly likely to be

self-defeating on its own terms, with more misdiagnoses and other mistakes almost certainly resulting from the truncated time.)

The alternative – using non-clinical roles – can be better, freeing up Beatrice to see the patients only she can treat, while directing others to those non-GP medical staff (cheaper to train and pay) who are perfectly able to advise and prescribe what is needed. Even here, however, there are dangers. The benefit of a GP personally knowing her patients and having continuity of care with them is hard to overestimate. To some extent, the kind of medical attention provided by a general practitioner is personal, if only as far as *knowing* a patient personally and well greatly aids the provision of the medical goods provided. Using additional roles, such as physician associates, does make sense but the triaging of patients must be done with real care and precision, which is not always easy to do online or with little patient familiarity or continuity of care. If not, the danger is that the productivity improvement is again erased, and any improvements in wellbeing dissolved, by the return of patients whose real needs were not identified first time round. The point was made by an NHS consultant (see the following case study), who commented that the pressure for hospitals to be more productive within inpatients can be counterproductive. Although shorter stays are generally preferred both by hospitals (from a budgetary perspective) and patients themselves, they can lead to premature discharges, shifting burdens across the healthcare system without truly resolving health issues. Like care of the elderly and infirm, albeit less obviously, there are elements of medical care that have an irreducibly personal element to them.

Adrian – NHS consultant

Adrian is a consultant specializing in geriatric and stroke medicine at a major London hospital. His role encompasses diagnosis, treatment, and management of acute and long-term care for patients at risk of or experiencing stroke. Adrian's work embodies the healthcare maxim of adding "life to years" rather than merely "years to life."

"Measuring productivity in healthcare is a complex beast," Adrian muses. "We often use crude metrics like length of hospital stay, which has some merit, as most patients don't want to stay in hospital very long, and it also makes sense from a financial and budgetary perspective. But a relentless focus on this can lead to premature discharges, which only shifts the burden elsewhere in the system without truly resolving the health issues." Plus, it might come at a greater "total cost than if you had actually just dealt with the problem quicker and more effectively within a short, sharp targeted admission," he says.

"The current model of funding the NHS is very frustrating," Adrian says. "Unifying budgets and measuring productivity across a whole system is critical to preventing perverse incentive structures. It's quite easy to make your bit look better by just giving somebody else the problem. And that happens all the time."

Adrian points out systemic inefficiencies within the NHS, such as deteriorating infrastructure, including IT systems, which hinder productivity. "We need to invest to save," he argues. "The upfront investment is the sticking point because no one's got any money. But technology could really free up clinicians to focus on what really matters – quality patient care."

He advocates for a more integrated approach to healthcare, where efficiency metrics support rather than undermine the quality of care and where there is a delicate balance between operational efficiency and maintaining "the human touch".

Adrian envisions a future where technology, particularly AI, streamlines administrative tasks. "Doctors, and in fact all clinical staff, need to really be operating at the top of their licence... doing the things that only we can do best."

The third example was educational. The good that Charlie delivers when teaching his pupils is not simply the provision of knowledge. That is undoubtedly a (significant) part of his job. The children (should) know more at the end of the year than they do at its start. But – as the Theos report *Doing God in Education* explores in greater detail – teaching is more than the impartation of knowledge. It is also a personal, formative experience, shaped by our understanding of “which virtues we should practise, what qualities we should value, and ultimately of what kind of people we should be”.⁹

Teaching is about enthusing, inspiring, supporting, encouraging, correcting, and pastoring as well as conveying knowledge. It is a thoroughly relational encounter, which is why some suggestions that it can be mediated by technology – for example, one teacher for innumerable zoom classes – misses the point. In the words of Pope Francis:

*“School...cannot be a factory of notions to be poured over individuals; it must be the privileged time for encounter and human growth. At school one does not mature only through grades, but through the faces one encounters.”*¹⁰

In Charlie’s case, teaching more pupils rather than fewer in a class might indeed be more productive of the proximate goods like better spelling, maths, and knowledge about the world, but it would not make the relational encounter at the heart of the class more “productive”. Indeed, given the proportionally less time he could spend with each pupil, it would almost certainly make it *less* productive. In some educational contexts that may not matter. Packing in 200 undergraduates rather than 100 to hear an accomplished lecturer may be a sensible thing to do. But as child development and learning theory psychologists, looking into

intrinsic motivation for learning in children, have shown, the relationship between ‘teacher’ and learner is one of the most vital ingredients for learning; not what is being taught, or even how.¹¹ In those educational contexts in which the personal encounter is important – as it most certainly is in primary, junior and secondary level education – one kind of productivity (information, knowledge) can all too easily come at the cost of another (attitudinal, emotional, moral, holistic, i.e. personal).

When it comes to grandparental care, the time that David and Emily spend with their grandchildren is, as has been pointed out many times, not simply economically unproductive but economically counterproductive. Were they more inclined to spend their retirement on a cruise, not only would their tourist spending boost the leisure economy, but it would compel their son and daughter-in-law to spend money on childcare, which is also economically positive.

And yet, grandparental care is often in a league of its own when it comes to childcare. If, returning to the controlling idea of this section, productivity at its deepest and most profound level is not a matter of creating stuff but of forming persons – developing character, temperament, habits, moral outlook and resolve, what might have been called soul-making in another time – then there are few activities more productive than grandparenting (other than parenting!) As a *personal* activity, there are few things more productive than good grandparenting. And yet, of course, like parenting, grandparenting does not appear in national accounts, and does not show up in productivity data.

The final example of Florence’s music concert is, of course, tongue-in-cheek; the only one of these five not grounded in a genuine situation (though it has been cited by Tim Jackson to

make a similar point with regard to efficiency).¹² No one has ever with any seriousness proposed playing Mozart's Piano Concerto No. 23 in 15 minutes rather than 26 so that they might cram all of Chopin's Preludes in at the end.

It is included here because even though it is not as obviously personal an encounter as, say, looking after your grandchildren, it does show how some goods that humans produce are so marked by personal characteristics as to be highly vulnerable to harm through productivity improvements. (In this regard, this example is not dissimilar to that of education.) A music concert, even an amateur one, is about consuming a good that has its own integrity, and which is not amenable to modification or compression. To revert to our example, Mozart's Piano Concerto No. 23 is the good that it is precisely because of the speed at which it is played, the exquisitely, slow, lingering second movement conveying a sense of grief and longing that would be completely lost if sped up for the sake of a more productive evening.

More generally, a concert is not simply a matter of listening to the music played. If that were the case, the audience would simply listen on Spotify in the comfort of their own homes. A concert, even (especially?) an amateur one also involves a sense of occasion, of event, of atmosphere. It is both temporally and spatially located and limited, a carefully "orchestrated" experience that (can) convey some deeply personal goods. To that end, it is not necessarily improved by there being more of it, any more than it is improved by being played more quickly. It is a moment of personal communication, even of communion, between composer, musician, and audience, and as such incompressible and irreplicable. It offers a personal good that is not easily amenable to productivity improvements.

Beth – nursery teacher

Beth, a nursery teacher with five years of experience, oversees a class of 18 three- and four-year-olds. She has had to learn to adapt to their level and teach in a way that connects with them, for example modulating her voice more, “like a TV presenter”, and gesticulating in a much livelier manner.

Her teaching philosophy is about patient and individual growth over rigid benchmarks. “I don’t really care about the outcomes, which I probably should,” Beth admits. “I care about making sure the children are safe, happy and well-rounded, and are making some sort of progress.” This approach, however, often conflicts with institutional pressures, particularly those imposed by Ofsted. She’s a big believer in a more flexible approach to teaching that considers each child’s individual development and progress rather than standardised benchmarks. This is especially pertinent for children born during the Covid-19 pandemic, whose early experiences differ significantly from previous cohorts.

Education, Beth believes, is not simply about imparting information and knowledge, but fostering a child’s holistic development: “I see my role as preparing my pupils for the next stage, and then - long term - for life. I think it’s probably parents and family that have more of an input into character formation and life skills, but I do think teachers like myself play a big role in that as well.”

Beth is motivated to understand each child’s unique journey and foster in her classrooms an environment where they can thrive at their own pace: “The most important thing is to develop a relationship with the children and pay attention to the small things. For example, I know I have to teach x, y and z. But if I notice a child is particularly quiet or doesn’t seem like themselves, I will find time to check in with them. And if a child doesn’t reach the level I want them to by the end of the lesson, then I look at the big picture: they’re a little human being, not a robot that’s going to tick all these boxes.”

Conclusion: more of what?

The concept of productivity seems straightforward at first. It is, as we noted above, deceptively easy to grasp. Productivity is about getting more out with what you put in. The devil lies in the detail however, and in particular the detail of what the word “more” means. More of what?

In many situations, we can attain a measure of clarity in answering this question. As far as the King of Brobdingnag was concerned, productivity meant getting two ears of corn from the same patch of land that had until now produced just one. When it came to the industrial revolution, improved productivity meant using fossil fuels to generate energy that had heretofore been provided only by muscle, wind, or water, in order to create more stuff in the same amount of time.

“

A truly productive society is not one that can produce ever more stuff, but can form ever better persons.

As the grim story of the human cost of the industrial revolution showed, however, being productive was not necessarily aligned with improving the human good. Improvements in productivity could come at the cost of human wellbeing. A singular focus on “stuff” as the answer to the question “more of what?”, could blind people to a wider perspective on productivity. When that perspective is opened up to include the “personal goods” – when my existence as a person, in relationship with others, is fully recognised and respected – it becomes clear that “productivity” properly speaking means more than generating more stuff.

Understood this way, the answer to the question of productivity – more of what? – must entail a personal dimension. A truly productive society is not one that can produce ever more stuff, but can form ever better *persons*, protecting, nurturing, cultivating the kind of relationships

that constitute our humanity (and also, as it happens, make us happy).

That does not mean that all activities that have a personal element within them need to retain it, or that by automating or virtualising processes we are always going to be dangerously eroding our humanity. People sometimes lament the gradual disappearance of supermarket check-out staff in favour of self-service tills, and it is true that that instant of personal contact at the till could offer a pleasantly humanising moment in an otherwise drab supermarket experience. Moreover, for the shopper who is lonely or disabled or requires personal help, that personal encounter always will be important and for that reason needs to be retained in some measure. However, for the majority of shoppers, the shift from human to automatic pay stations at a supermarket is unlikely to seriously harm their personhood. The same might be said for “personal” banking, as it shifted from cashiers to ATMs and from ATMs to online.

However, a great many activities are *intrinsically* personal, the good of personal contact being important and sometimes even essential to them. Those stories cited in this chapter – care work, health, education, childcare, the creative arts – are all, to different extents, predicated on a degree of personal connection. Whatever goods are provided by the encounter – food, healthcare, knowledge, childcare, creative arts – are inextricably tied up with when, where, how, and by whom they are provided. The personal element is not a detachable, commutable, replicable, or expendable element within the process but is rather essential and indispensable. The ostensible good is indissolubly connected to the deeper personal good.

And that personal connection is not amenable to productivity improvements, at least not without betraying itself. Improving productivity in care work, health, education, childcare, and the creative arts is not impossible. It is feasible, for example, for better technology and management practices to make the administrative and bureaucratic infrastructure that surround these activities more efficient, thereby making the activities themselves more productive. But *the activities themselves* are so personal that trying to make them more productive ends up being... well... counterproductive.

Ultimately, many human activities are irreducibly personal, in the sense of being the site of connection, communion, and (in however diluted a form) of love between different persons. Some are more obviously personal than others, and even those that do demonstrably have a profound relational dimension to them, such as teaching, we only reluctantly describe as marked by love, if only because it sounds wrong. But nonetheless that is what they are.

David and Emily self-evidently showed their love to their grandchildren, but in their own way, Alice's carers were loving Alice, Beatrice her patients, and Charlie his pupils. And one can even make the case that Florence and her musicians, in the care and energy they dedicated to playing Mozart before their paying audience, were also expressing a certain kind of love.

Improving the productivity of such activities risks undermining them altogether. These activities being what they are, this has always been the case. But two trends in developed economics today – the shift towards a service-based economy and the emergence of AI – make this threat posed by the emphasis on productivity particularly acute today. It is to these that we turn in the next chapter.

- 1 Jonathan Swift, *Gulliver's Travels* (London: Penguin, 2003), p. 126.
- 2 The Oxford English Dictionary, Vol. XII, p. 568
- 3 R.J. Davenport, 'Urbanization and mortality in Britain, c. 1800-50', *Economic History Review*, 73(2), (May 2020), pp. 455-485.
- 4 Boyd Hilton, *A Mad, Bad, & Dangerous People* (Oxford, OUP: 2006), p. 574.
- 5 Hilton, *Mad, Bad, & Dangerous*, p. 574.
- 6 NHS England, Care Co-ordinator definition: www.england.nhs.uk/long-read/additional-roles-a-quick-reference-summary/#care-co-ordinator
- 7 Declaration of the Dicastery for the Doctrine of the Faith "Dignitas Infinita" on Human Dignity #1, #7: <https://press.vatican.va/content/salastampa/en/bollettino/pubblico/2024/04/08/240408c.html>
- 8 Paul Bickley and Barbara Ridpath, *Just Work: Humanising the Labour Market in a Changing World* (Theos, 2021), 39.
- 9 Trevor Cooling, *Doing God in Education* (London: Theos, 2010), p. 9.
- 10 The Holy Father Francis opens the General States of Birth, an online initiative promoted by the Forum of Family Associations (14 May 2021) | Francis (vatican.va)
- 11 Naomi Fisher, *Changing Our Minds: How children can take control of their own learning* (London: Robinson, 2021), pp. 42-45.
- 12 For Tim Jackson's work on productivity and, more generally, for that of the Centre for Understanding of Sustainable Prosperity on this topic, see www.cusp.ac.uk/projects/powering-productivity/

Alastair – painter

Alastair is an art instructor and a prize-winning professional painter. Not surprisingly, as an artist, he prefers to speak about creativity rather than productivity: “I would personally swap the word productivity for creativity and focus on the things that engender the creative process, that lead to the making of good art. In fact, I think that when I’m being very creative, I am also being productive. But the creativity might lead to an idea, a written project, or a painted project or it might lead to the building of studios. It does not necessarily lead to a product.”

He remarks that activities often deemed unproductive, like social interactions and rest, are essential for creativity and long-term productivity. Drawing from his experiences and advice from his mentor during his undergraduate studies, Alastair underscores the importance of engaging in activities that recharge one’s creative energies, such as going out for a walk in nature, reading a book or visiting galleries to gain new perspectives.

Managing productivity pressures, particularly when preparing for exhibitions, Alastair highlights that “moments of restoration are part of the creative process and certainly enhance productivity.” He goes on to note that, “if we think about creativity and productivity simply in terms of the quantity of things that are being produced, then one may argue that a day strolling and reading is ineffective. But if we think of productivity and creativity as something broader than that, then the most productive thing I can do sometimes is to not go to the studio and make anything, and instead go for a walk in the hills.”

Alastair is critical of the tendency to measure art’s value solely through its utility or economic impact. “The idea of productivity is caught up within a kind of form of capitalistic model, a model that involves a product, a system of production, and monetary value. And these things are neither good nor bad. But they are very different to what happens in an art studio, where it’s less about making a thing to be bought and sold and more about expressing an idea, articulating thoughts, evoking a sense of place, and so on. And if that happens to be a product that can be sold to make rent or pay a mortgage, great. But there are very few artists who go into this kind of lifestyle and career path specifically to generate income.”

If judged solely by utility, art appears to serve no function. Yet, the true value of art, Alastair argues, lies in its “capacity to punch holes in the darkness, to help us lament, ask questions, evoke emotions and illuminate our experiences.”



6

Productive new world



Productivity in a world of service

In the medieval world, the workforce was divided into three categories or ‘estates’: *laboratores*, *bellatores* and *oratores*; those who work, those who fight, and those who pray. In reality, the vast majority of people fell in the first group, which typically meant working in agriculture. That began to change in 19th century Britain, as this ‘primary’ sector was transformed to include industries like mining, quarrying, and commercial fishing. Britain became the world’s first industrial country, with ever more people, in particular men, being employed in the ‘secondary’ sector, of manufacturing, construction, engineering, and latterly utilities.

Improvements in productivity changed this still further. By the end of the 19th century, fewer than one in ten of the British workforce was employed in the primary sector. The trend continued into the 20th century so that by the 1970s, the figure was around 3%. Today, it is less than 1% in Britain, roughly in line with most developed, high-income countries.¹

At first, the secondary sector gained workers as the primary sector lost them. By the end of the 19th century, manufacturing, construction and the like employed about 40% of the British workforce. This figure remained broadly constant through the first three quarters of the next century but began to fall significantly in the final quarter, as jobs in this sector were mechanised or moved overseas. By 2000, it had reached 20% and today it is below 15%.

In their place, the ‘tertiary’ or ‘service’ sector has risen and risen. This is not an entirely new development; for all that the service economy seems to be a quintessentially modern phenomenon, earlier economies also had an extensive workforce employed in the tertiary or service sector. For

example, in early 19th century Britain, the sector employed around 15-20% of the population. That figure rose to nearly half the workforce a century later, and today, it stands at a remarkable 84%. It is also worth noting that women have always been disproportionately represented in this sector. According to the 1901 census, nearly six out of ten employed women worked in service occupations, compared with one in four employed men. This gender divide has deepened with the expansion of women in the workforce; today, over 92% of employed women work in services. Britain, like the rest of the developed world, is a service economy.

The tertiary sector encompasses a wide range of businesses, including retail, banking, finance, transport and logistics, hospitality and entertainment, communications, professional services, healthcare, education, and public administration. ‘Service sector’ does not only refer to the kind of irreducibly personal kinds of services such as those we discussed in the previous chapter, though it does include such jobs. As such, the sector is, in theory, as amenable to productivity improvements as the primary and secondary sectors have long been. Developments in automation, communication technology, business processes, and payment mechanisms can and have had a positive impact on service sector productivity – in banks, shops, law firms, and government offices – in the same way they did for mines, factories, and construction companies. In spite of this, there are signs that productivity improvements are harder to attain in economies that are heavily dependent on the service sector, like Britain, than they are in those economies that are primary or secondary based, typically low-to-middle income countries. In effect, there may be limits, or at least limitations, on service productivity improvements.

Justin – coffee roaster and co-founder

Justin is a co-founder of a coffee roasting business that sources exclusively from woman-majority-owned farms. How helpful he finds productivity depends on the task. For administrative tasks or when batch roasting, he prioritizes efficiency. However, when it comes to the actual roasting process, quality is paramount. “When I’m roasting, it’s quality above all else,” he says.

Post-COVID, Justin observes a societal shift towards well-being over relentless productivity. Despite this, businesses still face pressure to grow in productivity as consumers, with more time on their hands, have higher expectations. “There is a huge societal pressure on businesses to be more productive... People have more time and expect more from businesses,” he notes.

Justin warns, however, that an excessive focus on productivity can erode personal interactions and relationships. He values those seemingly ‘unproductive’ moments with suppliers, customers, and stakeholders. “Where there is an excessive focus on productivity, we lose people and relationships... those little interactions that could be seen as inefficient but are so important!” he says. This belief was evident when a corporate client increased their coffee order. Instead of simply fulfilling it, Justin investigated and discovered the client’s employees were overworked. He decided to provide a more intriguing coffee blend to help them pause, savour the coffee and enjoy a moment of rest away from the stress of work.

To balance market pressures with maintaining personal connections, Justin stresses finding clients with similar values and having honest conversations about capabilities and expectations. “All of my solutions... have never been because of my really well-structured plan. It’s all come from being honest and saying ‘this is where we’re at’, and someone meeting us there, and then there’s something that comes out of that,” he explains.

He also values relationships with coffee farmers, respecting their expertise and acknowledging their role in supporting entire communities. Together with his co-founder, Justin aims to build a business ethos centred on a passion for coffee and people. This drives their sourcing and relationship-building practices, all with a view to ensuring the business has a lasting and meaningful impact in the world.



In 2018, a paper by the OECD explored in detail this question of whether productivity can still grow in service-based economies.² It found that on average, labour productivity is about 40% lower in the service sector than in manufacturing across OECD countries. Labour productivity growth in services averaged 1.3% per year over the past three decades, compared with 3% in manufacturing.³ Moreover, the tertiary sector is a broad one and the report found that the majority of productivity growth in the service sector was concentrated in finance, retail and technology industries as opposed to the most ‘personal’ segments of the sector which are less amenable to improvements in ICT. Overall, analysis suggests that “the shift to services has reduced annual productivity growth in the average OECD country by about 0.3 percentage point per year over 1995-2015”.⁴

There is need for a measure of caution in all this. The OECD paper, like many on measuring productivity in the tertiary sector acknowledges that doing so is more challenging in the service sector than elsewhere in the economy, on account of “the intangible nature of service output, which often involves human interactions between provider and consumer.”⁵ Measuring changes in service quality is far from straightforward. Moreover, as we touched on in the previous chapter, the service sector combines different kinds of human ‘goods’ – tangible and intangible, personal and impersonal – the measurement of which is particularly complex, to the point of impossible.

Nevertheless, the conclusions of the OECD report were in fact predicted decades earlier and have become an established idea in economic theory. In the 1960s, American economists William Baumol and William Brown put forward the idea that some activities, such as those in the secondary



As economies develop, and an ever-larger share of the workforce is employed in the service industry, aggregate productivity growth declines.

sector, naturally enjoy greater potential for productivity improvements than others, in the tertiary sector. Productivity gains in manufacturing allow a business to reduce the workforce needed to produce (the same amount of) goods. By contrast, those in the service sector have a harder job in doing so because the human presence is more central to the interaction and the good that is being produced. As economies develop, and an ever-larger share of the workforce is employed in the service industry, aggregate productivity growth declines. The theory became known as the Baumol effect, or Baumol's Cost Disease.⁶ This theory seems to be confirmed by the OECD data.

Moreover, according to the OECD, the shift towards this service sector is down to serious and long-term trends, such as an ageing population and "increasing replacement of home production of certain services (e.g. child and elderly care, gardening, cleaning, etc.) by market services".⁷ As the report says, "looking ahead, the employment share of services seems set to rise further as many of these underlying drivers, which are largely beyond the reach of economic policies, will likely continue to prevail over the foreseeable future."⁸

In other words, developed economies are likely to become more rather than less service-based, with all the challenges that brings. The trend has left many people looking for solutions to the problem of how we can improve productivity in economies that are as heavily service-based as Britain's (and indeed most other OECD countries). For some, there is one rather obvious answer.

The AI opportunity: automation or augmentation?

Although published in 2018, when ChatGPT was just a glint in the (Open)AI, the OECD paper into productivity growth in service-based economies was nonetheless alert to the enormous scope and potential for improvement there was in the deployment of artificial intelligence.⁹ That potential has only grown, significantly, over the intervening years.

Before large language models (LLMs) and generative AI became mainstream with the public launch of ChatGPT in November 2022, it was ‘blue collar’ jobs that were thought to be most at risk of automation. The surprise was that AI did not come (first?) for the shelf stackers and construction workers but for the ‘knowledge workers’ and creatives. Until robotics has its ChatGPT moment, AI’s impact on the labour market will likely be felt more strongly in the knowledge economy than in other areas. It is tempting to say that that is precisely why we are hearing, and worrying, so much about it.

AI is expected to be a powerful engine of productivity, driving up average incomes and living standards.¹⁰ However, reliable data about the actual productivity gains of AI is as yet unavailable, since AI integration is ongoing. Like previous technological breakthroughs (e.g. the invention of the steam engine or electricity), there is often a lag between technological innovation and tangible economic impact. It may be a while before AI integration shows results in productivity statistics. Organisations in both the public and private sector are still deciding how to deploy it safely in a way that adds value. Unsurprisingly, the corporate sector is moving faster than either the public or the third sector, with smaller organisations being quicker to adopt AI solutions than larger players.¹¹

It is highly probable, then, that generative AI systems will become widespread. Given their fundamental accessibility and ease of use, there is huge potential for AI to be a tool of empowerment. There are early signs to suggest AI is aiding the productivity of lower or medium-skilled workers more so than for highly skilled workers.¹² One study, conducted by Erik Brynjolfsson, Danielle Li, and Lindsey R. Raymond to examine the impact of generative artificial intelligence (AI) on the workplace, which focused specifically on its deployment in a customer support setting, found that the introduction of a generative AI assistant led to significant productivity gains, measured by the number of customer issues resolved per hour. It also improved customer satisfaction and worker retention.¹³

On average, the use of AI increased productivity by 14%, with the most substantial improvements observed among novice and low-skilled workers, who saw a 34% increase in productivity. In contrast, highly skilled workers experienced minimal changes in their productivity levels. This discrepancy highlights the potential of AI to level the playing field, enabling less experienced workers to perform at levels comparable to their more experienced counterparts.

It is too soon to tell, however, whether AI will indeed be a levelling and democratising force or only deepen existing disparities.¹⁴ Whether AI will lead to greater empowerment or higher concentration of power and disparity between the skilled and the less skilled depends, of course, less on the intrinsic features and capabilities of the technology and more on the dynamics of the political economy, and specifically the policy decisions, regulatory frameworks, and not least the choices of business owners and executives. As Daron Acemoglu and Simon Johnson put it in their book, *Power and Progress*, “the productivity bandwagon depends on new tasks and

opportunities for workers and an institutional framework that enables them to share the productivity gains.”¹⁵

Whatever levelling and democratising impact AI may have on the workplace, its *potential* to improve productivity is clear. However, the way in which it may do so is not straightforward and has provoked anxiety. In *The Turing Trap: The Promise and Peril of Human-Like Artificial Intelligence* Erik Brynjolfsson of the Stanford Digital Economy Lab, explores two possible paths which AI that fluently mimics human abilities can take: augmentation or automation.¹⁶

Given its general-purpose nature, AI is similar to many previous historically consequential technologies. The allure of human-like AI (henceforth HLAI) lies in its potential to lead to a significant increase in productivity and free up time for other activities, including leisure. Powerful AI systems are matching humans in a growing number of tasks, with applications ranging from medical diagnosis to inventory management and product recommendations.¹⁷

But the direction of travel, Brynjolfsson worries, is toward full automation, where AI *substitutes* rather than merely augments human labour. “Entrepreneurs and executives who have access to machines with capabilities that replicate those of humans for a given task can and often will replace humans in those tasks,” writes Brynjolfsson, calling this phenomenon the ‘Turing Trap’, where the pursuit of HLAI *undermines* human economic and political power.¹⁸

As machines become better substitutes for human labour, workers lose bargaining power and become more dependent on those who control the technology. This can lead to even greater levels of concentration of power and wealth among the technology controllers, exacerbating inequality and

disempowering the workforce. This is the path of automation, paved with strong incentives for technologists, business executives, and policymakers.

In contrast, Brynjolfsson casts a vision where AI *augments* human capabilities rather than replaces them, allowing humans to retain control over the value generated by working with AI systems, innovation, and development of new products and services. Unlike previous technological breakthroughs, AI replicates human intelligence and is therefore poised not only to enhance productivity but accelerate innovation and create unprecedented wealth. Current generation of AIs excel at narrow tasks and struggle with unexpected problems or unfamiliar environments. However, as AI continues to advance towards more flexible, varied, human-like intelligence, its transformative potential to integrate seamlessly into different aspects of life and the economy grows too.

The vision of AI augmenting rather than replacing human workers can be outworked in education, for example. Rather than replacing teachers with robotic counterparts, AI systems can be used to empower teachers to deliver educational content and experiences that meet the unique needs and match the diverse range of abilities of pupils and students. This way, AI can help redress the deficiencies of mass schooling solutions. As Daron Acemoglu writes: “AI in the classroom can make teaching more adaptive and student-centred, generate distinct new teaching tasks, and, in the process, increase the productivity of - and the demand for - teachers.”¹⁹ Thus used, AI can help educators practically affirm the dignity, uniqueness, and agency of students rather than treating them as undifferentiated units/containers of a generic educational content.

Similarly, in healthcare, AI can be deployed to automate processes and tasks that enable human operators to function ‘at the top of their license’ or at the maximum level of competency. This was noted by Adrian, the NHS consultant, in our vignette on page xxx. For example, rather than manually transcribing, summarising, and filing patient notes, expert consultants can focus on the tasks and responsibilities they are uniquely competent to do while AI productivity tools can automate clerical and administrative tasks effectively. In patient care, AI can similarly help provide adaptive and personalised services that increase health outcomes and patient satisfaction.

In manufacturing too, AI can augment rather than replace humans. While automation is changing how factories are built and run, human operators are still needed in complex tasks such as troubleshooting, machine repair, optimising systems and decision-making. A human-centric adoption of AI can enhance the ability of engineers and technicians to perform these tasks – by observing and analysing their actions in context, surfacing relevant and timely information, and highlighting anomalies, AI systems can help people make better decisions, troubleshoot faster, and iron out any kinks in production processes more effectively. They can also improve collaboration among human workers by identifying both similarities and differences in human behaviour among those who may have limited experience in working together.²⁰

In this way, AI does not only offer the potential to help otherwise underperforming service-based economies improve their sluggish rates of productivity growth, but also to do so in a way that genuinely augments, rather than undermines, the human element of the whole economy. AI could help teachers like Charlie connect better with their pupils, GPs like Beatrice

with their patients and care workers with their clients like Alice.

This is by no means guaranteed, however, and its success depends on being able to distinguish between augmentation and automation, which itself depends on our cognisance of the real *personal* goods that should lie at the heart of our discussion of productivity.

Conclusion

The combination of the challenges facing productivity improvements in a service economy and the opportunities presented by AI is not necessarily a happy one.

On the one hand, the advent of AI does indeed present real opportunities for improving productivity, by augmenting activities in such a way as to enable human beings to concentrate on what only they can do or on what they do best. Automating those routine activities that are the service sector equivalent of the factory line – i.e. limited, unimaginative, repetitive tasks – and augmenting those that are more quintessentially human – healing, teaching, caring – could be a real positive, improving productivity rates and helping people deploy their skills more effectively.

However, there is a temptation and a risk here. The temptation lies in the perennial need to cut cost, so that businesses, employers and shareholders decide to save money not only by automating routine tasks but more human, “personal” ones. The attendant risk is that this then leads to an ever more depersonalised economy and society, undermining the personal connections that are fundamental to our growth as humans. If we can streamline the administrative processes behind teaching, health and

social care, the logic goes, why not try and do the same for the activities themselves? It is only with a robust understanding of the deep and incommensurable personal good that lies at the heart of the human, that this temptation and risk may be resisted.

- 1 Office for National Statistics, Long-term trends in UK employment: 1861 to 2018 - Office for National Statistics (ons.gov.uk) for 'Long-term trends in UK employment: 1861 to 2018' (ONS, 2019). The data in the following paragraphs are also drawn from here.
- 2 OECD, 'Can productivity still grow in service-based economies?: Literature overview and preliminary evidence from OECD countries' (www.oecd-ilibrary.org/economics/can-productivity-still-grow-in-service-based-economies_4458ec7b-en)
- 3 OECD, *Can productivity still grow*, p. 8
- 4 OECD, *Can productivity still grow*, p. 19
- 5 OECD, *Can productivity still grow*, p. 14
- 6 This was in part because the theory went on to postulate that sectors with lower productivity would find their production costs proportionately rising, not offset by technological productivity gains, resulting in depressed wage rates for workers and reduced profit margins for investors.
- 7 OECD, *Can productivity still grow*, p. 18
- 8 OECD, *Can productivity still grow*, p. 17
- 9 OECD, *Can productivity still grow*, p. 8
- 10 Mc Kinsey, Economic potential of generative AI: www.mckinsey.com/capabilities/mckinsey-digital/our-insights/the-economic-potential-of-generative-ai-the-next-productivity-frontier#business-and-society
- 11 The Economist, *How businesses are actually using generative AI*: www.economist.com/business/2024/02/29/how-businesses-are-actually-using-generative-ai
- 12 The Economist, *What will artificial intelligence mean for your pay?* www.economist.com/finance-and-economics/2023/11/16/what-will-artificial-intelligence-mean-for-your-pay
- 13 Erik Brynjolfsson, Danielle Li, Lindsey Raymond, "Generative AI at Work" NBER WP 31161, April 2023
- 14 Carl Benedikt Frey and Michael Osborne on how AI benefits lower-skilled workers ([economist.com](https://www.economist.com)): <https://www.economist.com/by-invitation/2023/09/18/carl-benedikt-frey-and-michael-osborne-on-how-ai-benefits-lower-skilled-workers>
- 15 Daron Acemogly and Simon Johnson, *Power and Progress* (Basic Books, 2023), p. 218.
- 16 Erik Brynjolfsson, *The Turing Trap: The Promise & Peril of Human-Like Artificial Intelligence*, Stanford Digital Economy Lab: <https://digitaleconomy.stanford.edu/news/the-turing-trap-the-promise-peril-of-human-like-artificial-intelligence/>
- 17 See, for example, Daniel Zhang, Saurabh Mishra, Erik Brynjolfsson, et al., "The AI Index 2021 Annual Report," arXiv preprint [arXiv:2103.06312](https://arxiv.org/abs/2103.06312) (Ithaca, N.Y.: Cornell University, 2021), esp. chap. 2. In regard to image recognition, see, for instance, the success of image recognition systems in Olga Russakovsky, Jia Deng, Hao Su, et al., "Imagenet Large Scale Visual Recognition Challenge," *International Journal of Computer Vision* 115 (3) (2015): 211–252. See also Erik Brynjolfsson and Andrew McAfee, "The Business of Artificial Intelligence," *Harvard Business Review* (2017): 3–11.

- 18 Erik Brynjolfsson, *The Turing Trap*.
- 19 Daron Acemoglu, 'Redesigning AI' in *Redesigning AI: Work, Democracy, and Justice in the Age of Automation*, ed. Daron Acemoglu (Boston Review Forum, 2021), e-book, location 12%.
- 20 Lama Nachman, 'Beyond the Automation-only Approach' in *Redesigning AI: Work, Democracy, and Justice in the Age of Automation*, ed. Daron Acemoglu (Boston Review Forum, 2021), e-book, location 41%.

Raphael – architect

Raphael is an architect that tries to do things differently in a field where inspiration and tangible outputs often intertwine in complex ways.

“Architecture is a creative field that straddles very hard economic factors as well,” Raphael explains. “We have to be able to give an account of how we spend our time to charge clients.” This necessity for time-tracking is unavoidably in tension with the often-unpredictable nature of creative work. “How do you charge for the time it takes to come up with an idea?” he muses. “Something marinating in the evening before, thinking about it on the way to work... it’s quite hard to gauge.”

Raphael finds satisfaction in the various activities that are part of a ‘day’s work’. “A good day’s work involves collaboration, meeting deadlines, advancing on to-do lists, and doing something in work that wasn’t just for other people,” he shares. This balance of client work, personal development, and creative exploration helps him maintain enthusiasm for his profession.

Raphael sees value in having certain limits and constraints. “Constraints can actually be helpful,” he notes. “They can tell you that the job is done and time is spent. They can also foster creativity. Sometimes, if you give someone a huge piece of paper, it can be very daunting.”

However, Raphael is acutely aware of the potential pitfalls of an overly productivity-focused approach. “An unintended consequence [of productivity] is it kind of fractures people... it can be very difficult to manage productivity and see people’s full human self,” he observes. This insight has led his firm to explore innovative billing methods that better align with their values of family and well-being.

Yet, Raphael acknowledges the real-world pressures that require attention to productivity. “I think there has to be some level of productivity,” he reflects. “If you create a business from scratch, you’re not operating in a vacuum... you have to survive in a very competitive environment. If the business fails... people lose their jobs, we have to make redundancies, which is very painful.”

Through his experiences, Raphael illustrates the ongoing challenge in creative industries: balancing the need for measurable outcomes with the less quantifiable aspects of inspiration and innovation. His approach suggests that success lies not in rejecting productivity entirely, but in discovering ways to measure it in ways that honour both the creative process and the human beings behind it.



Michael – university professor

As a university professor, Michael has learned to navigate the complex landscape of academic research with its pressure to produce quality outputs and retain consistently good feedback from students and peers.

“Productivity is hugely important in academia,” Michael explains. “I’m evaluated based on my output, which is publications and grants.” The emphasis on productivity and high-quality work are important, he notes, as they help maintain focus. But a single-minded focus on output can also stifle creativity and risk-taking in research that would otherwise lead to breakthroughs. Michael explains: “The system discourages researchers from exploring higher-risk areas where success is less likely. As a result, people tend to focus on topics they believe will result in top-tier publications and are more likely to secure grants. In my experience, pursuing more innovative research makes it harder to publish and obtain funding. Grant application reviewers, who are usually colleagues, might not understand or agree with novel ideas because they’re too new. This creates a barrier for truly groundbreaking research.”

Moreover, the constant evaluation and the pressure of comparison with peers on the rate of success in securing grants can cause considerable stress. “Even when I had several big grants at the same time, there was stress about what would happen when they ended... it’s just causing constant stress.” In extreme cases, when grants fail to materialise or one’s professional status changes, it can lead to an identity crisis.

Despite these challenges, Michael recognises the intrinsic value of productivity in academic life and human experience more broadly. “To create something, to produce something is fundamentally rewarding and satisfactory,” he reflects. “It’s a very important part of human well-being. A lot of purpose comes from us being involved in activities that are bigger than ourselves and creating something that benefits other people.”



6

Conclusion: Productivity and the nature of service



For all that this report casts a critical eye over the concept of productivity, we have emphasised throughout that there is nothing wrong in principle with attempts to improve productivity. One might as well oppose human creativity and imagination.

This is not to claim that the overall concept of productivity is morally uncomplicated. Productivity can become entangled with the problems of overconsumption, waste and the challenge of living on a planet blessed with many but ultimately finite resources. However much we produce and however efficiently we do so, we have ended up disposing of so much of it in such careless and harmful ways, that any monomaniacal focus on productivity and growth without a commensurate focus on reuse and recycling is a catastrophe waiting to happen.

That acknowledged, we have tried to stress that there is nothing wrong, in principle, with, for example, attempts to apply AI to the current productivity malaise in developed economies, like ours, which are heavily service-based. The object of improving productivity is commendable and there is much to be gained here.

However, as we have also emphasised throughout, we need to be cautious about this path and, in particular, we need to interrogate the assumptions that all too often lie unexamined beneath the discussion of productivity. In effect, we must always be asking the question ‘productivity of what?’ In particular, when thinking about those activities in which the personal element is intrinsic to the exchange, we must ask whether any ostensible gain in productivity risks undermining the true, underlying good we should be seeking. In terms of one of the examples we have used in an earlier chapter,

would AI-based productivity improvements in education end up helping children pass exams more easily at the expense of eroding their interest in a subject or reducing their contact time with an inspiring teacher?

This can be illustrated by returning to the issue that has run through this report. When the OECD examined why productivity growth was lower in service economies, it came up with a number of answers. In the tertiary sector, the ‘goods’ (i.e. services) delivered tend to be less standardised than those in the secondary sector, and therefore less amenable to replication and automation. Many such services have to be delivered in person and therefore involve more face-to-face interactions in their delivery – what is sometimes known as “spatial transaction costs” – which means they are usually sold in local markets, and this has the impact of reducing competitive pressures and efficient reallocation mechanisms.¹ Selling services in small local markets reduces the potential for economies of scale and “dampens competitive pressures.” The ‘informality’ of some service markets can also hamper growth.

This is a long list – and other reasons abound² – and it underlines how diverse the tertiary sector is. But it also brings out the factor that underlines so much of the discussion in this paper, namely that for many (service-based) economic activities, the immediate, localised, personal element is important, to the point of being intrinsic. The OECD paper nods in this direction when it discusses how heavily “localised” certain services are, with the more localised a service is, the harder it is to force through productivity gains, at least without simultaneously undermining the quality of the service provided.

Its discussion here is actually focused on normal, market-based services but the analysis applies equally to other, non-market services, such as education and healthcare, which are in a category of their own in as far as they tend to be both relatively localised and with a relatively high share of high-skilled workers. In the language we have been using in this report, the key question is how *personal* is the good being provided. Or, put more fully, how far is the good that is being provided inextricably linked up with the human beings who are providing and receiving it? How tied up is it with the fact that it is being provided by a person and not by another means.

For many activities, not least those in the primary and secondary sectors, the good being provided – the produce harvested, the raw material mined, the engineering project completed, the consumer product manufactured – is largely impersonal. Productivity gains here are (or rather have been) not only possible but also morally less complicated.³

For some activities – the example of David and Emily’s grandparenting efforts is the most obvious one – the good being provided is thoroughly personal. We know that children are best cared for by humans, rather than screens or ‘carebots’. And we know that the kind of childcare provided by loving grandparents is especially personal; irreplicable, an incommensurable good, an ends rather than a means to anything. So, we understand the irreducible and irreplaceable personal dimension to this kind of childcare.

But for many other activities, the goods inherent in them are a complex mixture of the personal and the impersonal. When we buy a ticket at a ticket office, pay for our shopping at the checkout, or visit a local bank branch (where they still

exist) there is a personal element, albeit a brief one, in the encounter. For most people, it is small and incidental enough to be readily exchangeable for an automated process, thereby making the whole thing more efficient/productive. However, as mentioned earlier, for those who, for example, are lonely or who have particular personal needs, the automated exchange is often an inadequate substitute for the personal encounter. Losing the personal element of the exchange for a solely impersonal one is indeed a loss.

When we learn in a classroom, or sit before a GP, or are fed and clothed by a social care provider, the goods we receive are, again, ostensibly, impersonal: knowledge, an accurate diagnosis, food and clothing, etc. But as the stories which we have told throughout this report illustrate, the vehicles by which these goods are delivered are not just vehicles. Properly speaking, and certainly when they are working at their best, the teacher is not simply a conduit of facts, the GP is not simply a channel for medical information, and the care worker not simply a way of putting food in the mouth or clothes on the body. On the contrary, they themselves provide goods – interest, inspiration, encouragement, attention, sympathy, patience, etc., ultimately (different forms of) love – that are as foundational to the person receiving them as are the ostensible goods of knowledge, food, and clothing.

And it is these personal goods that are most vulnerable to being lost when the push for improved productivity enters into the conversation, particularly when it's about the service and public sector, and looks for ways, perhaps through AI, of improving sluggish productivity growth rates. If we don't recognise the true range of goods at stake, we are in danger of losing some of them, particularly the less tangible, more human personal goods.

In our pursuit of productivity, it is essential to ask, productivity of what? And, in particular, drawing on the logic and language of this report, it is essential to ask how personal are the goods whose productivity we are pursuing. More precisely and at greater length: when we think about the productivity we are pursuing, what is the mix of impersonal goods (which *can* be replicated, routinising, automated etc) and personal goods (which are inextricably linked to the fact they are being provided by another human being).

As this is a report exploring the contours and meaning of an important but often unexamined concept, we do not propose any specific policy or economic recommendations. Rather, what we are recommending is an attitude that interrogates the idea of “productivity improvement” whenever we hear the phrase. Because unless we have a good idea of what activity is being made more productive, and how, there is a risk that we lose something very important in our quest for “productivity improvement”. When we hear about “productivity improvement”, we should ask the following four questions:

1. What exactly is being made more productive here?
2. What goods does it comprise and, in particular, what is the mixture of impersonal goods (stuff, information, etc.) and personal goods (human encounter)?
3. How exactly is this going to be made more productive?
4. And, crucially, what (mix of personal and impersonal goods) is going to be lost in that process?

Doing this will allow us to judge the extent to which the productivity improvement sought does indeed improve our lives in a relatively uncomplicated way, or whether in

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In our pursuit of productivity, it is essential to ask, productivity of what?

doing so we risk losing the deep, irreplaceable personal and, indeed, spiritual dimensions that ultimately make our lives worthwhile.

- 1 OECD, *Can productivity still grow*, p. 12
- 2 For example, the nature of service regulation “reduces their tradability within countries and across borders”, and cross-country differences in regulations also reduces tradability of services. Smaller units of production “can hinder capital deepening, knowledge spillovers and specialisation of employees”, which further acts against productivity improvements. OECD, *Can productivity still grow*, p.12
- 3 But by no means wholly uncomplicated. Personal goods can and do grow up alongside the impersonal goods, and so the productivity gains achieved by mechanising those primary goods can have a profound personal impact. The formation and then destruction of mining communities would be a classic example of this.

6

Acknowledgements



We would like to express our thanks to all those who contributed their time, skill and wisdom to this project.

We are grateful for our interviewees, whose stories and insights add colour to what would otherwise be a much drier discussion.

Our colleague Madeleine Pennington has been a skilled and gentle shepherd of this project, enabling us to work collaboratively and effectively, and providing typically astute comments on an earlier draft.

We're also grateful to our communications team - Fiona, Lizzie, Emily, Rosie, Amari, and Dan - who have helped with the visual elements and the dissemination of this work. Special thanks also to Polly Parrott for typesetting and publishing.

Finally, we're extremely grateful for the generous financial support of The Fetzner Institute, without which this project would not have been possible.



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Paul Bickley

Forgive us our Debts

Nathan Mladin

More: The Problem with Productivity

“Productivity isn’t everything, but in the long run, it’s almost everything.” – Paul Krugman

The UK has a productivity problem, and if there is one thing parties of the left and right agree on it is that we need to solve it. Britain needs to be more productive.

But we also need to be careful. Because “productivity” is one of those words that think for us, and without examining what it actually means, we risk doing ourselves more harm than good.

The Problem with Productivity argues that, when it comes to dealing with people, endless productivity improvements are counterproductive. Ultimately, the kind of humanising personal interactions that make up our deepest good cannot be routinised, replicated, outsourced, or automated.

In a heavily service-based economy like Britain’s, in which the AI revolution promises so much, this is an important and urgent message. Whenever we are faced with calls for more productivity, we need always to ask first, “productivity of what?”

“

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ISBN: 978-0-56-403873-2



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