

Press release
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EEI study digs deep into why the EU's labour productivity lags behind the US

The overall economy-wide hourly **labour productivity in the EU has grown by an average of 1% per year over the past 25 years, compared to 1,8% in the US.**

An independent study commissioned by the European Employers' Institute (EEI), and led by the research institute Rexecode, identifies **11 key factors behind Europe's labour productivity lag**, including business dynamism, human capital and skills mismatch, limited ICT investment, as well as the administrative complexity and regulatory burden.

Looking at the wider economy, the study shows that while **all sectors are affected by this gap**, the impact has been greatest in information and communication (ICT), business services, and industry.

The study also stresses what has already been highlighted in the Draghi report: the fragmentation of the European internal market and the regulatory hurdles hinder innovation and productivity gains of European companies. Additionally, **investments in emerging digital technologies are too low in Europe.**

"Europe's productivity gap with the US goes beyond just technological lag or investment shortfalls - it's also fuelled by the ever-present regulatory burden. This might not raise any eyebrows. The same regulatory complexity that businesses have been grappling with for decades continues to serve as a significant roadblock to innovation and growth. European companies face a maze of costly, inconsistent regulations across member states, draining resources that could otherwise boost productivity through ICT or R&D. The administrative burden has long been the "silent partner" in Europe's productivity problem. This study arrives at the best time, when the EU needs to address its competitiveness and productivity issues," commented **Delphine Rudelli, Chair of the Board of the EEI.**

The study also looks at how the EU-US productivity gap has evolved over the past decades: before 2007, there was a 1%-point growth gap mainly in manufacturing and services; between 2007 and 2019, both slowed, but the US pulled ahead in ICT; **since 2019, the gap has widened** further, especially in ICT and business services.

Background information on the Study

The study **'Understanding the EU-US labour productivity gap: #1—The broad perspective'** updates the picture of the labour productivity gap between the US and the EU, highlighting why the gap exists, how it differs across countries, and the main factors behind it. It is **the first in a series of three** focusing on the comparative analysis of labour productivity in the EU and the US.

About the European Employers' Institute

The European Employers Institute (EEI) is a research institute, founded by European and national employer organisations in March 2024. The EEI focuses on emerging employment and social policy topics at the European level, producing research studies, analyses and publications. It aims to ensure balanced representation on employment issues and strengthen social dialogue at the European level.

For more information:

Delphine Rudelli: info@eei-institute.eu / + 33 6 87 71 51 12

