

## Effect of Structural Change on Productivity Convergence: A Panel Unit Root Analysis

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**Abstract :** This study analysed the role of structural change in the process of labour productivity convergence at country and regional levels. Many forms of structural changes occurred within the European Union (EU) countries i.e. variation in sectoral employment share, changes in demand for products, variations in trade patterns and advancement in technology which may have an influence on the process of convergence. Earlier studies on convergence have neglected the role of structural changes which can have resulted in different conclusion on the nature of convergence. The contribution of this study is to examine the role of structural change in testing labour productivity convergence at various levels. For the empirical purpose, the data of 19 EU countries, 259 regions and 6 industries is used for the period of 1991-2009. The results indicate that convergence varies across regional and country levels for different industries when considered the role of structural change.

**Keywords :** labor productivity, convergence, structural change, panel unit root

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