

Productivity by enterprise size

Many examples of productivity analyses typically focus on relatively aggregated industries, masking the heterogeneity in productivity among firms within the same sector and, in particular, the contribution of SMEs, recognised as important drivers of growth as they scale-up. In this sense, firm heterogeneity matters for productivity. To the extent that large firms can exploit increasing returns to scale, productivity tends to increase with firm size. However, new small firms are often found to spur aggregate productivity growth as they enter with new technologies and stimulate productivity-enhancing changes by incumbents.

Key findings

Larger firms are on average more productive than smaller ones, particularly in the manufacturing sector, partly reflecting increasing returns to scale, for instance, through capital intensive production. But smaller firms can outperform larger firms, particularly in the services sector, reflecting competitive advantages in niche, high brand or high intellectual property content activities as well as the intensive use of affordable ICT. In most countries, labour productivity gaps between micro and, to a lesser extent small and medium-sized firms, and large firms are relatively high, in particular, in the manufacturing sector. However, differences in productivity across size classes are relatively smaller in the business services sector.

Definition

Labour productivity by enterprise size class is measured as gross value added in current prices per person employed. Labour input is measured as total employment, which includes employees and all other paid or unpaid persons who worked for the concerned unit during the reference year. Data on hours worked by all persons employed are typically not available by industry and enterprise size class.

In the *OECD Structural and Demographic Business Statistics* (database), business economy covers: mining and quarrying, manufacturing, electricity, gas, steam and air conditioning supply, water supply, sewerage, waste management and remediation activities, construction and business services (excluding finance and insurance activities). Business services include wholesale and retail trade, repair of motor vehicles and motorcycles; transportation and storage; accommodation and food services; information and communication services; real estate activities; and professional and support activities.

Information on data for Israel: <http://dx.doi.org/10.1787/888932315602>.

Comparability

Value added estimates for different enterprise size classes are based on *OECD Structural and Demographic Business Statistics* (database) and will typically not align with estimates in national accounts. The latter include a number of adjustments to reflect businesses and activities that may not be covered in structural business statistics, such as those made to reflect the non-observed economy. Since labour input is measured as total employment, comparability of labour productivity measures by size class may be affected by differences in the share of part-time employment. In addition, productivity differences in main aggregate sectors could mask different productivity patterns in more narrowly defined industries. This may in turn reflect differences in the value of goods and services produced, as well as different intensities in the use of knowledge-based capital.

Sources and further reading

OECD *Productivity Statistics* (database), <http://dx.doi.org/10.1787/pdtvy-data-en>.

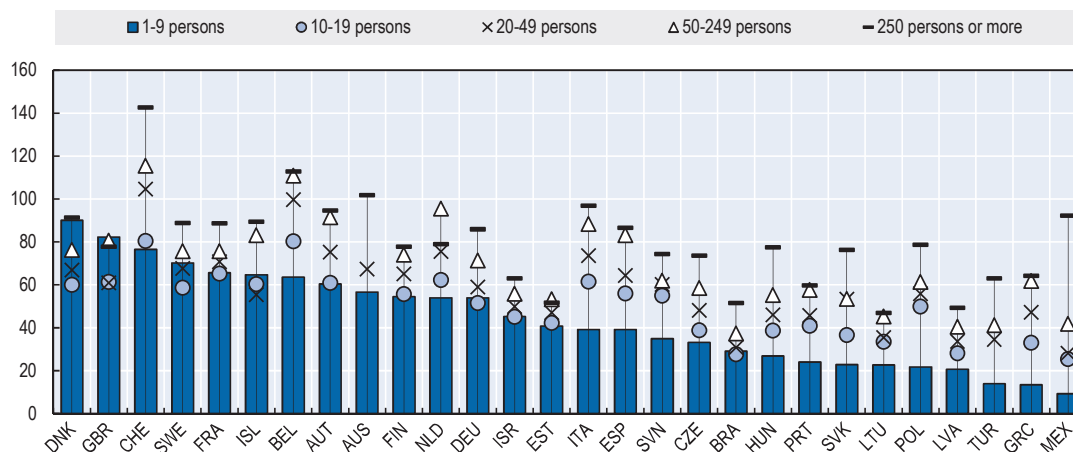
OECD *Structural and Demographic Business Statistics* (database), <http://dx.doi.org/10.1787/sdbs-data-en>.

OECD (2017), *Entrepreneurship at a Glance 2017*, OECD Publishing, Paris.

http://dx.doi.org/10.1787/entrepreneur_aag-2017-en.

Figure 3.6. Labour productivity by firm size, business economy

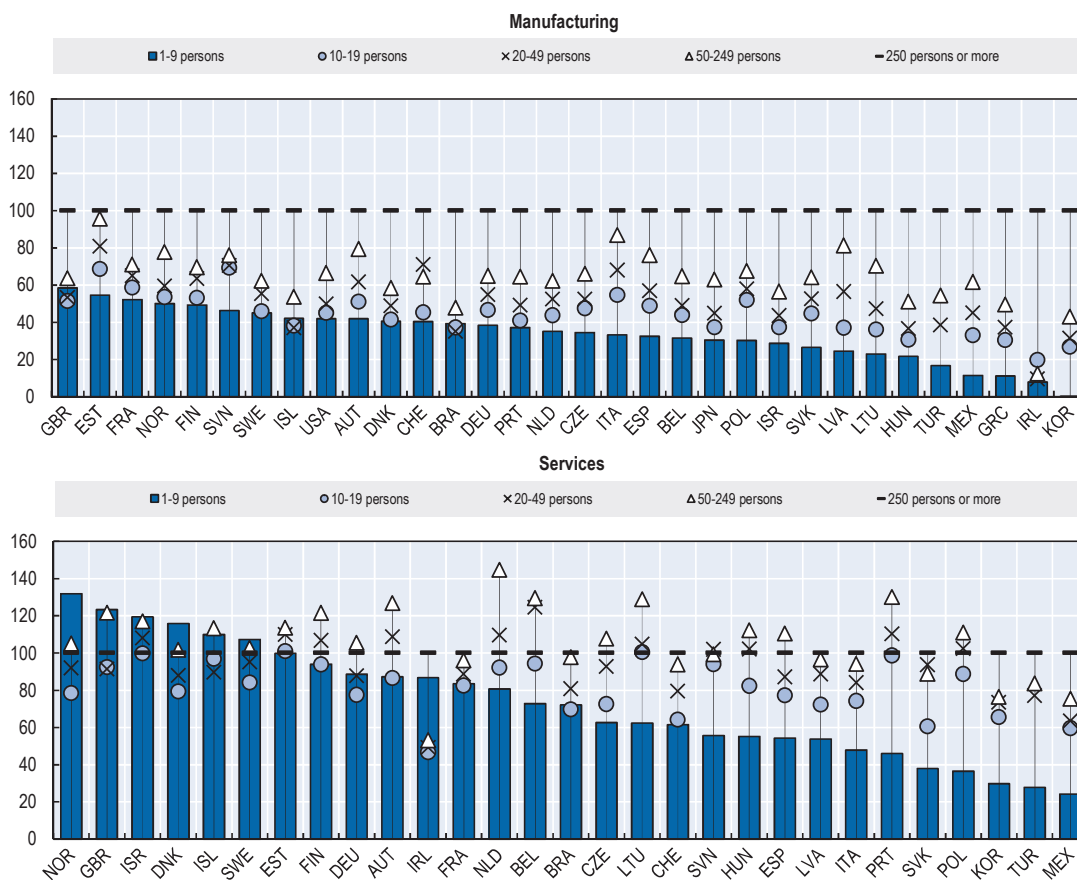
Value added per person employed, thousands of USD, current PPPs, 2015, or latest available year



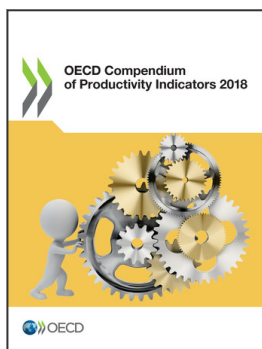
StatLink  <http://dx.doi.org/10.1787/888933734075>

Figure 3.7. Labour productivity by firm size, manufacturing and business services

Value added per person employed, index 250+=100, 2015, or latest available year



StatLink  <http://dx.doi.org/10.1787/888933734094>



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