

Productivity by enterprise size

Key facts

- Firm size matters for productivity. Larger firms are on average more productive than smaller ones, particularly in the manufacturing sector, partly reflecting gains from increasing returns to scale, for instance through capital-intensive production. But smaller firms in some manufacturing sectors and countries often outperform larger pointing to competitive advantages in niche, high-brand or high intellectual property content activities.
- Differences in productivity across size classes are relatively smaller in the market services sector. In some countries, medium-sized services firms outperform larger firms. This may be partly explained by intensive use of affordable information and communication technologies (ICT), particularly if the firms are part of an MNE group.
- Higher productivity levels in smaller-sized enterprises also point to firm growth dynamics, by which more productive firms expand and displace lower productivity firms.
- Labour productivity levels in large Irish manufacturing firms are on average significantly higher than in other countries, reflecting in large part the high intellectual property content of output, typically provided by foreign parents.

Relevance

Productivity reflects the efficiency with which resources are allocated within an economy. Resource reallocation, in turn, is driven by firm dynamics, i.e. the entry of new firms

Definitions

Labour productivity is measured as the current price, gross value added per person employed. For comparison purposes, data are presented as percentage of labour productivity in large firms.

For the definition of “Manufacturing”, “Services” and “Construction”, see Reader’s guide. Note that financial services activities are not included, and so care is needed when extrapolating the results in drawing conclusions for total market sector activities across countries, in particular those with relatively large financial services activities such as Luxembourg, Switzerland and the United Kingdom.

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

and the exit of the least productive firms. To the extent that large firms can exploit increasing returns to scale, productivity should increase with firm size. Moreover, new, typically small firms are often found to spur aggregate productivity growth as they enter with new technologies and also by stimulating productivity enhancing changes in incumbents.

Comparability

The value added and employment estimates presented by size class are based on *Structural Business Statistics* and will not usually align with estimates produced according to the *System of National Accounts*. The latter includes a number of adjustments to reflect businesses and activities that may not be measured in structural business statistics, such as the inclusion of micro firms or self-employed, or those made to reflect the Non-Observed Economy.

Comparability across size classes, industries and indeed countries, may also be affected by differences in the shares of part-time employment. For these reasons, in productivity analysis, the preferred measure of labour input is total hours worked rather than employment, but these data are typically not available by size class.

Productivity differences in main aggregate sectors could mask different productivity patterns in more narrowly defined industries. This may partly reflect differences in the value of goods and services produced as well as different intensities in the use of knowledge-based capital. In addition, data gaps due to confidentiality rules in the reporting countries may further hinder international comparability.

Sources

OECD *Structural and Demographic Business Statistics (SDBS)* (database), www.oecd.org/std/industry-services.

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

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

Further reading

OECD (2001), *Measuring Productivity – OECD Manual: Measurement of Aggregate and Industry-level Productivity Growth*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264194519-en>.

Figure 2.14. **Labour productivity by enterprise size and by main sector**

Value added per person employed, index 250+ = 100, 2012, or latest available year

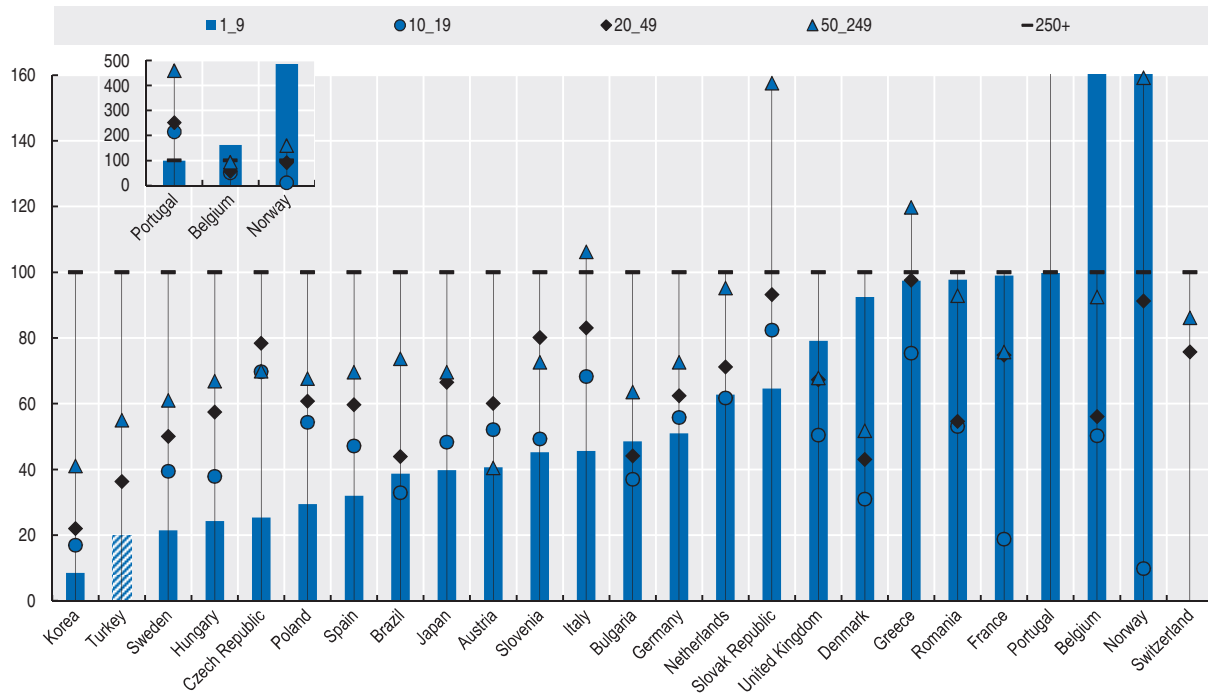


StatLink <http://dx.doi.org/10.1787/888933230576>

2. STRUCTURE AND PERFORMANCE OF THE ENTERPRISE POPULATION

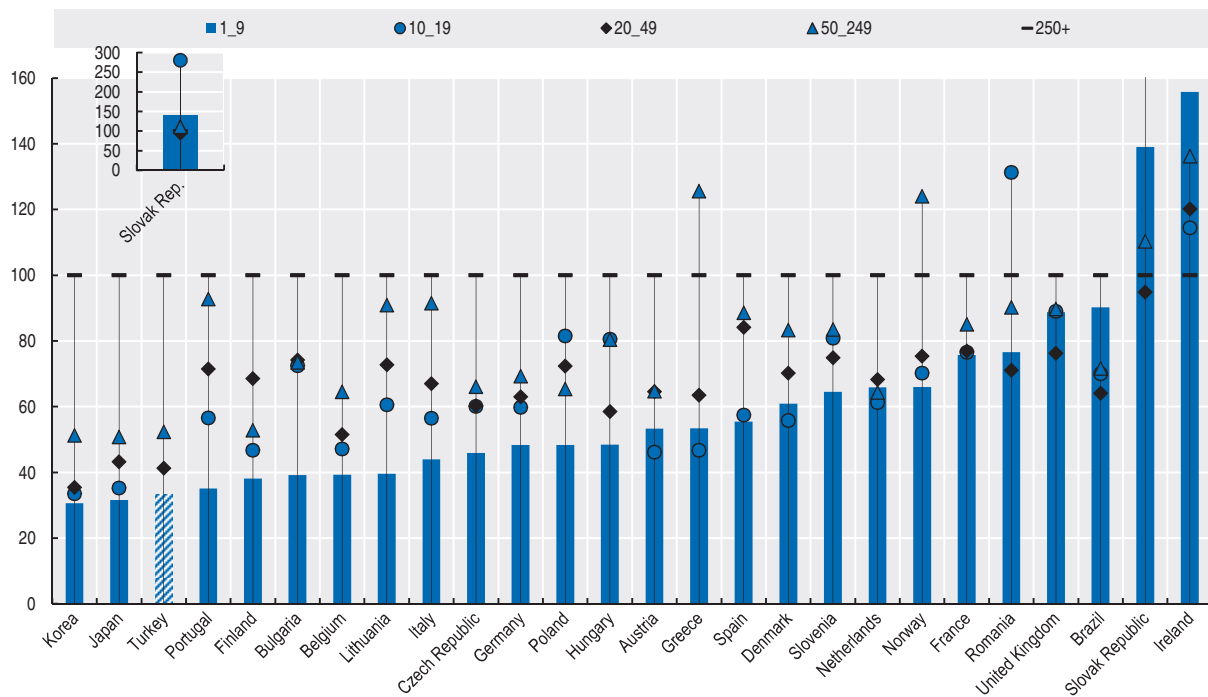
Productivity by enterprise size

Figure 2.15. **Labour productivity by enterprise size, manufacture of chemicals and chemical products**
Value added per person employed, index 250+ = 100, 2012, or latest available year



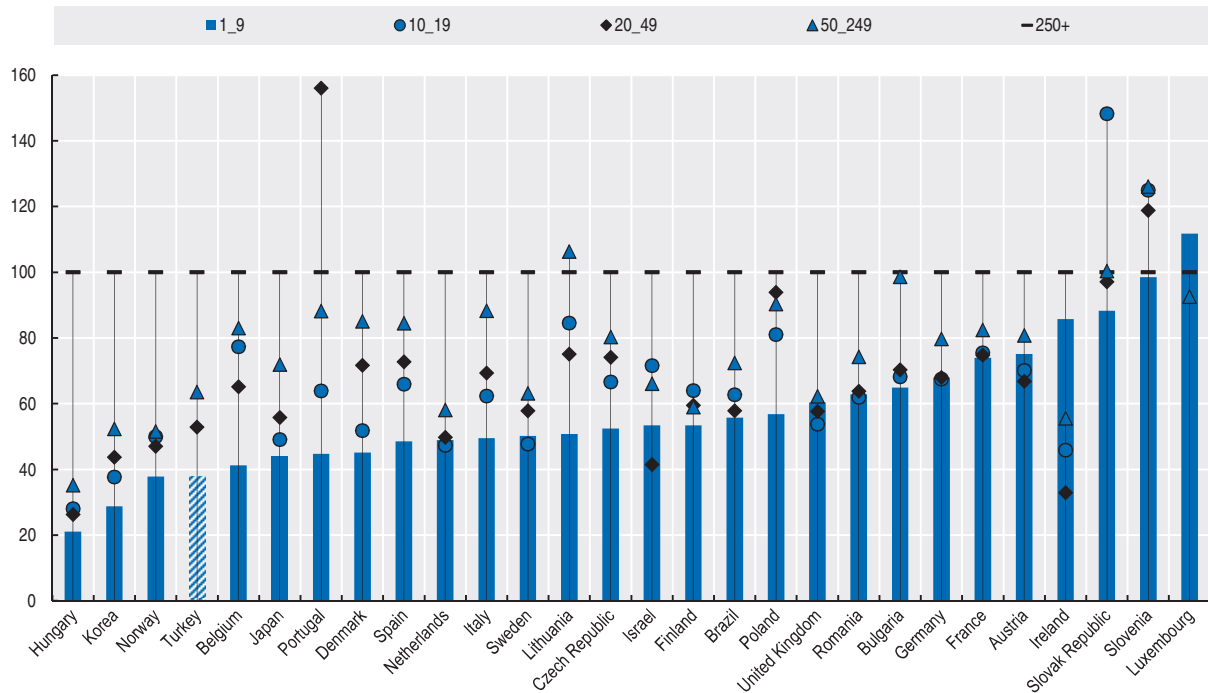
StatLink <http://dx.doi.org/10.1787/888933230584>

Figure 2.16. **Labour productivity by enterprise size, manufacture of electrical equipment**
Value added per person employed, index 250+ = 100, 2012, or latest available year



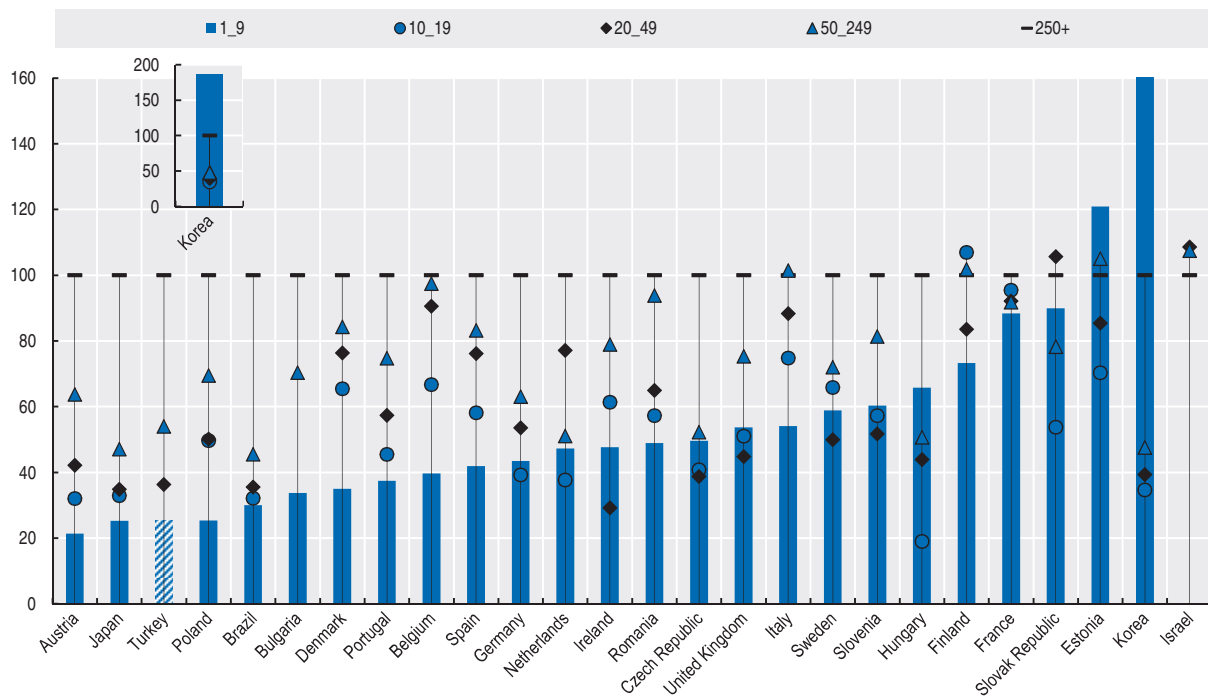
StatLink <http://dx.doi.org/10.1787/888933230598>

Figure 2.17. **Labour productivity by enterprise size, manufacture of machinery and equipment n.e.c.**
Value added per person employed, index 250+ = 100, 2012, or latest available year



StatLink <http://dx.doi.org/10.1787/888933230609>

Figure 2.18. **Labour productivity by enterprise size, manufacture of motor vehicles, trailers and semi-trailers**
Value added per person employed, index 250+ = 100, 2012, or latest available year

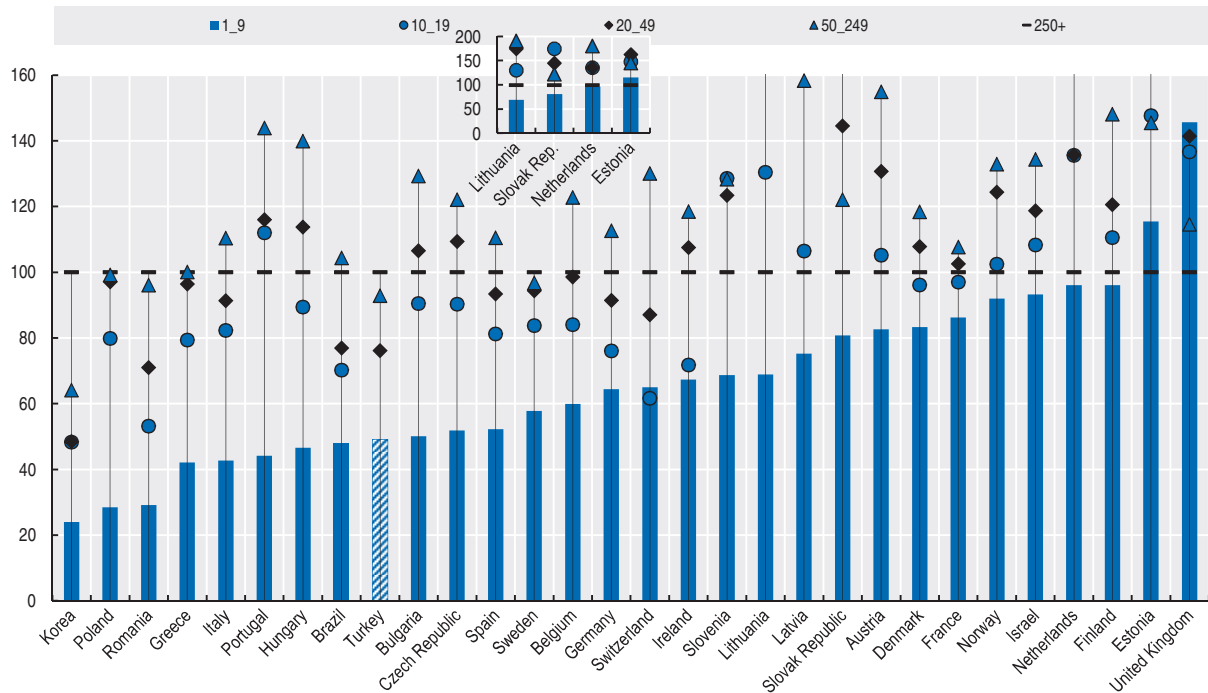


StatLink <http://dx.doi.org/10.1787/888933230613>

2. STRUCTURE AND PERFORMANCE OF THE ENTERPRISE POPULATION

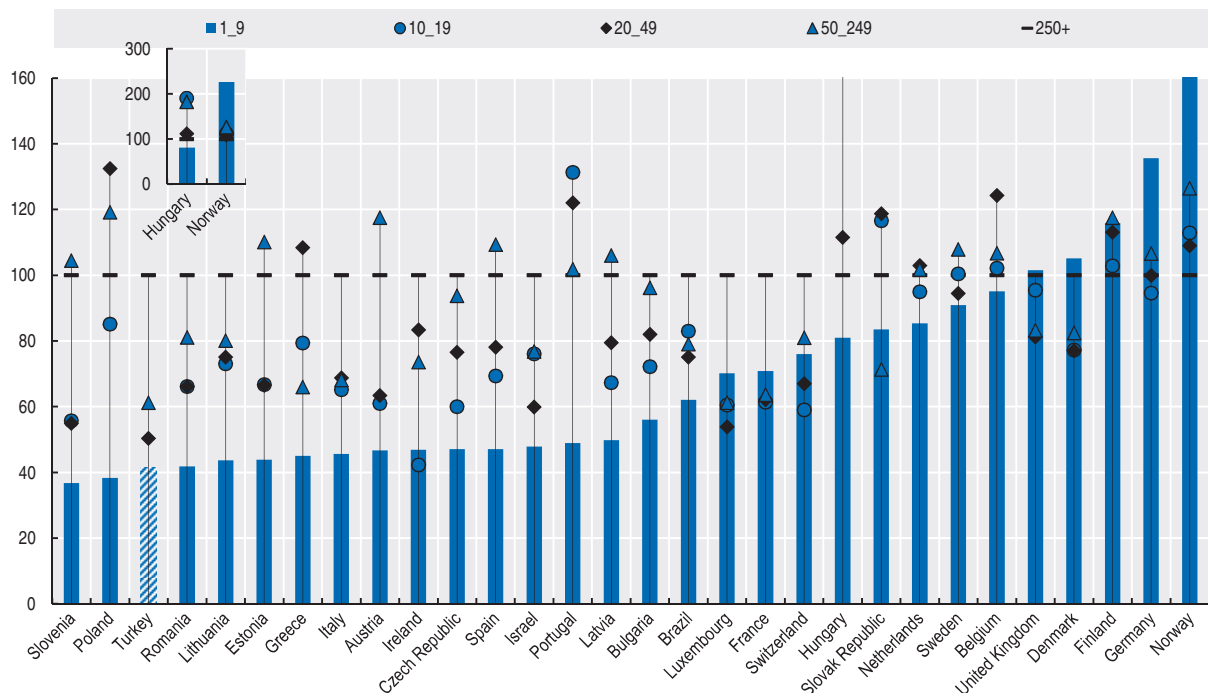
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Figure 2.19. **Labour productivity by enterprise size, wholesale and retail trade; repair of motor vehicles and motorcycles**
Value added per person employed, index 250+ = 100, 2012, or latest available year



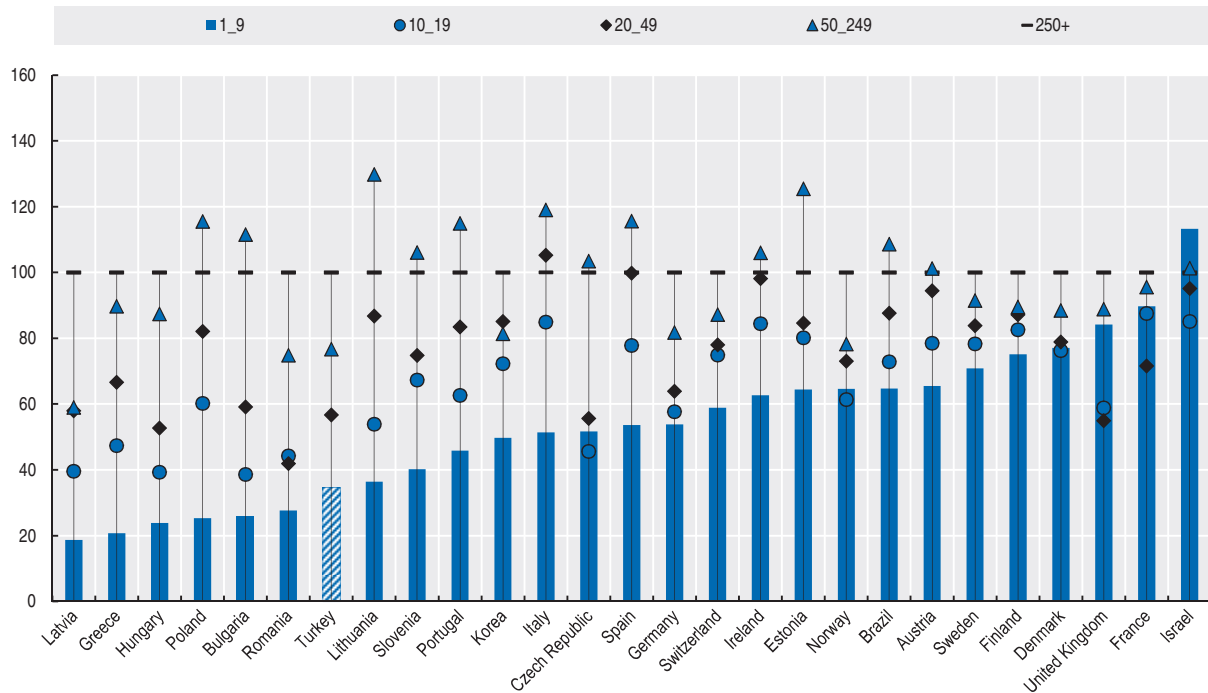
StatLink <http://dx.doi.org/10.1787/888933230624>

Figure 2.20. **Labour productivity by enterprise size, transportation and storage**
Value added per person employed, index 250+ = 100, 2012, or latest available year



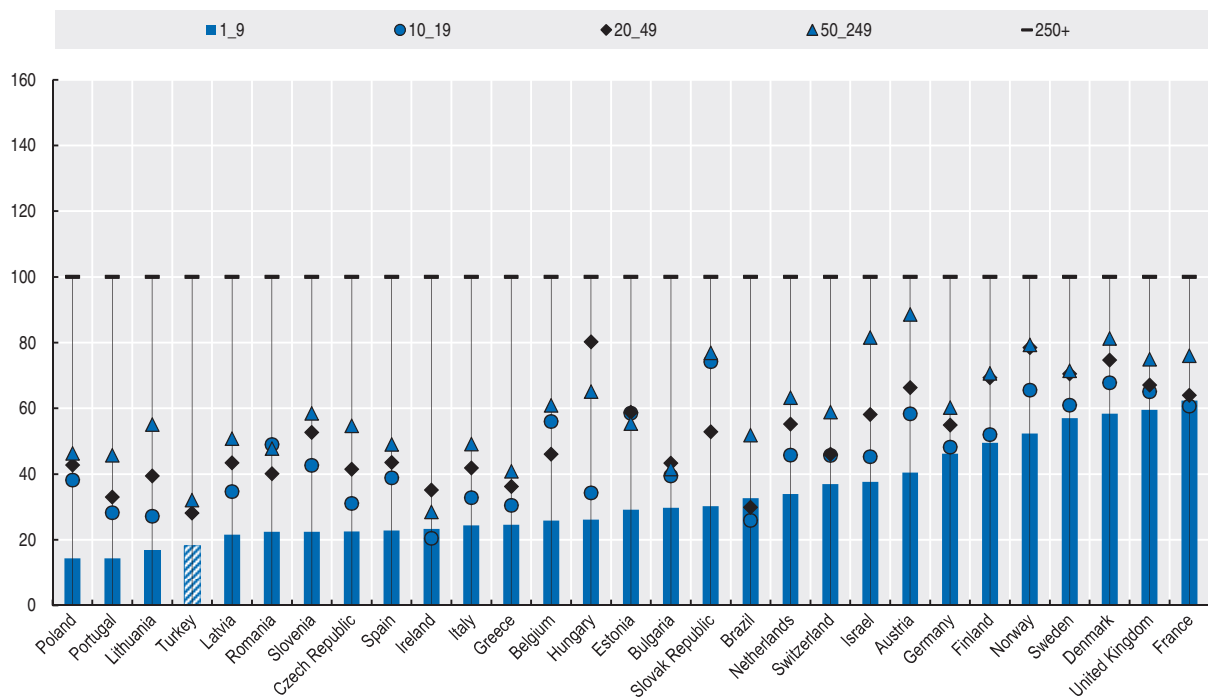
StatLink <http://dx.doi.org/10.1787/888933230634>

Figure 2.21. **Labour productivity by enterprise size, accommodation and food services activities**
Value added per person employed, index 250+ = 100, 2012, or latest available year

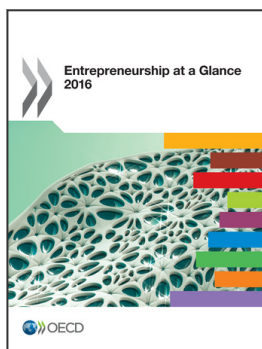


StatLink <http://dx.doi.org/10.1787/888933230640>

Figure 2.22. **Labour productivity by enterprise size, information and communication**
Value added per person employed, index 250+ = 100, 2012, or latest available year



StatLink <http://dx.doi.org/10.1787/888933230655>



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