

## Productivity gaps across enterprises

### Key findings

- In the manufacturing sector, where production tends to be more capital-intensive and larger firms can exploit increasing returns to scale, large firms show almost consistently higher levels of productivity than smaller ones.
- The relative size (or spread) of productivity differences between larger and smaller firms varies considerably across countries. In the United Kingdom for example micro manufacturing firms have about 60% the productivity level of large firms compared with around 20% in Turkey and Hungary. Similarly for services, SMEs in Finland and Sweden operate at similar productivity levels to larger firms but in Mexico productivity levels of SMEs are between 25-75% lower than larger firms.
- Differences in productivity across size classes are relatively smaller in services sectors. In many countries, medium-sized firms outperform large firms, pointing to competitive advantages in niche, high-brand or high intellectual property content activities as well as the intensive use of affordable ICT.

### Relevance

Productivity reflects the efficiency with which resources are allocated within an economy. Analyses typically only reflect contributions made at the sectoral (industry) level, masking 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. More granular statistics that show the relative contributions made by firms of different size class can better reveal this heterogeneity and lead to better targeted policies that can reduce barriers and capitalise on opportunities for productivity growth.

### Definitions

Labour productivity is measured as the current price, gross value added per person employed. For the definition of “Manufacturing” and “Services”, see the Reader’s guide. Financial services activities are not included, so care is needed when extrapolating the results and 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.

Labour productivity levels by firm size in national currency are converted to US dollars using purchasing power parities (PPPs) for GDP.

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

### Comparability

Value added data refer to value added at factor costs in European countries and value added at basic prices for other countries. Estimates of value added and employment presented by size class are based on the *OECD Structural and Demographic Business Statistics (database)* 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 very small units or self-employed, or those made to reflect the Non-Observed Economy.

Comparability across size classes, industries and countries may 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. Data gaps due to confidentiality rules in reporting countries may also hinder international comparability.

The size-class breakdown 1-9, 10-19, 20-49, 50-249, 250+ persons employed provides for the best comparability given the varying data collection practices across countries. Some countries use different conventions: for Australia, the size class “1-9” refers to “1-19”, “20-49” refers to “20-199”, “250+” refers to “200+”; for Mexico, “1-9” refers to “1-10”, “10-19” refers to “11-20”, “20-49” refers to “21-50”, “50-249” refers to “51- 250”, “250+” refers to “251+”; for Turkey “1-9” refers to “1-19”.

Data for Switzerland and the United States refer to employees. Data for Mexico are based on establishments and not on enterprises. Data for the United Kingdom exclude an estimate of 2.6 million small unregistered businesses; these are businesses below the thresholds of the value-added tax regime and/or the “pay as you earn (PAYE)” (for employing firms) regime.

### Sources

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

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>.

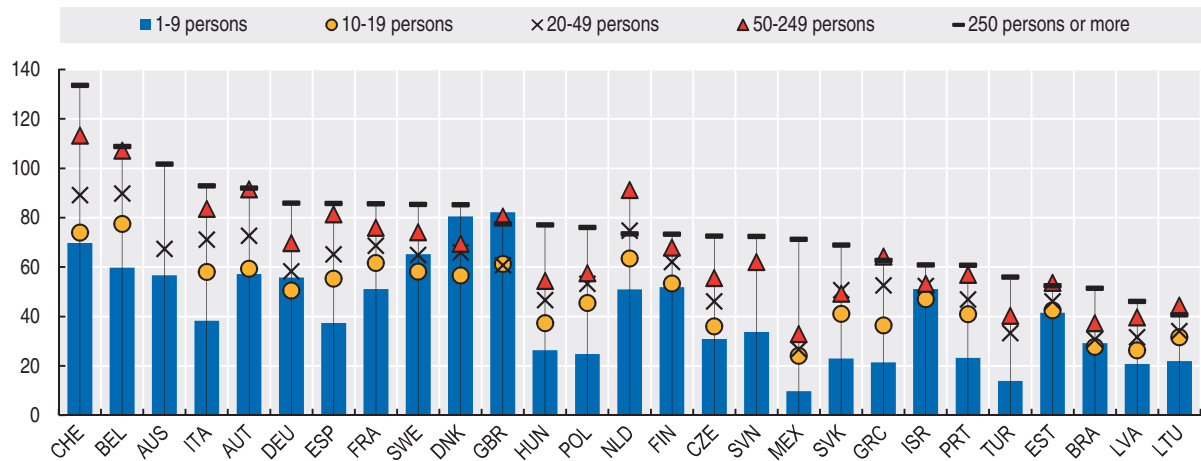
### Further reading

OECD (2017), *OECD Compendium of Productivity Indicators 2017*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/pdtvy-2017-en>

OECD (2017), *Small, Medium, Strong. Trends in SME Performance and Business Conditions*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264275683-en>

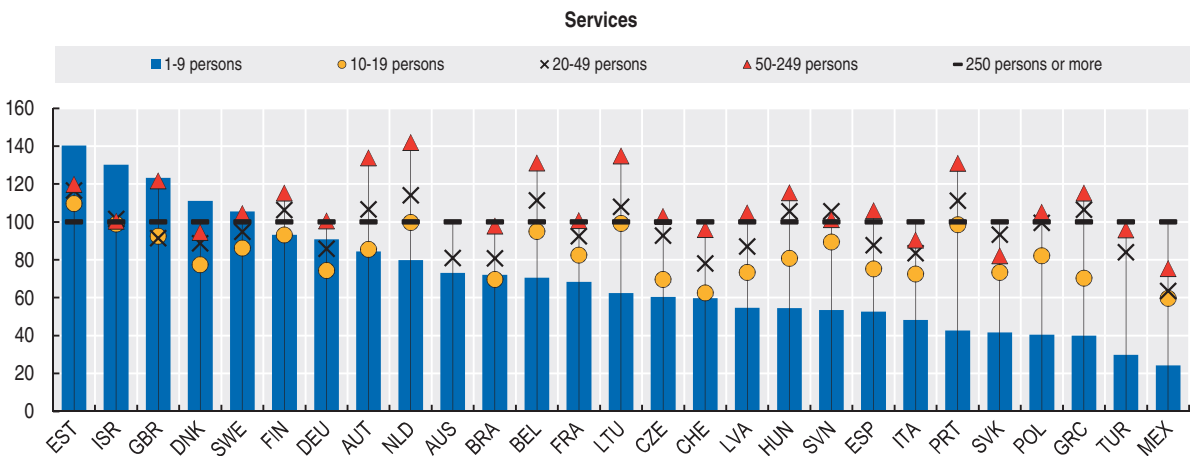
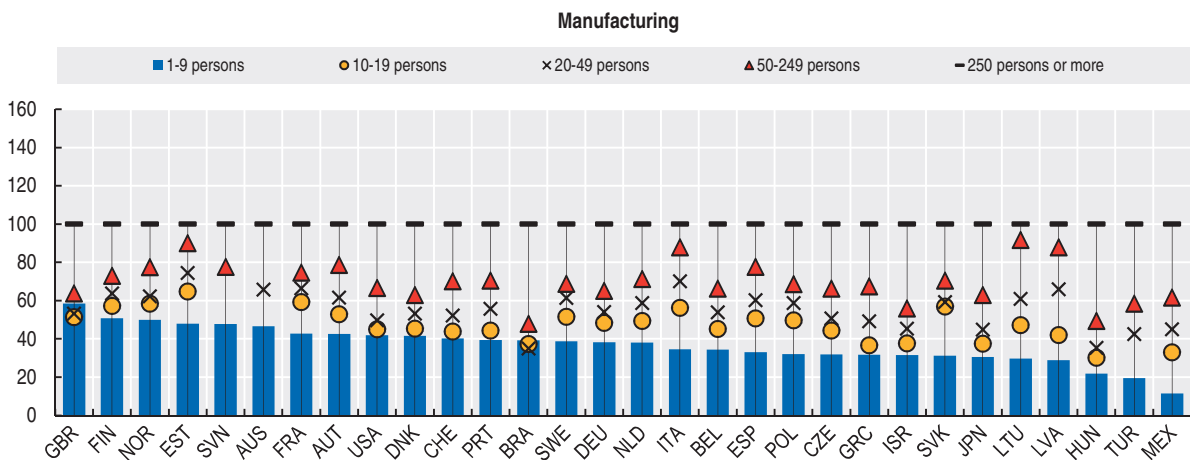
OECD (2001), *Measuring Productivity – OECD Manual: Measurement of Aggregate and Industry-level Productivity Growth*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264194519-en>.

Figure 3.1. **Labour productivity by enterprise size, business economy**  
Value added per person employed, thousands of USD, current PPPs, 2014, or latest available year

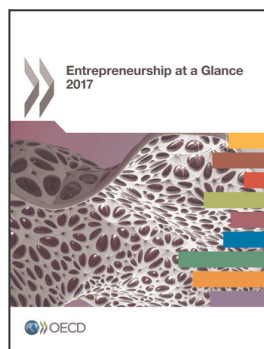


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Figure 3.2. **Labour productivity by enterprise size, manufacturing and services**  
Value added per person employed, index 250+ = 100, 2014, or latest available year



StatLink <http://dx.doi.org/10.1787/888933563474>



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