PRODUCTIVITY AND BUSINESS DYNAMICS: AN OVERVIEW OF THE OECD MULTIPROD AND DYNEMP PROJECTS

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Agenda

- Motivation
- MultiProd and DynEmp
  - Overview
  - Some of the policy questions that can be answered
  - How?
- Some key takeaways, so far
- Next steps…
Motivation

- Productivity slowdown
- Increasing divergences (earnings, between high and low performing firms), are these linked?
- Debate on job creation and firm characteristics
- Debate on declining business dynamism
- What role for policy?
THE MULTIPROD AND DYNEMP PROJECTS
A distributed microdata approach

COUNTRIES

Policy questions

Metadata: variables, coverage, weighting...

Code run by national experts

Country notes

Data strategy to provide evidence in cross-country setting

Code for data cleaning, linking and analysis

Agreed, non confidential microaggregated data

Descriptive and econometric evidence
Productivity within and across countries: The OECD MultiProd project

Coverage:
- 24 countries (and expanding)
- Period: 1995-2012(4)
- Whole economy, detailed at 2-digit level
- Some statistics further refined by: i) age or/and size classes, ii) ownership, iii) quantiles of the productivity distribution or quantiles of the size distribution

Representativeness:
- Typically have whole population of firms
- For countries with partial data (production survey)
  - Reweight using Business Register population weights (if available)
  - Compute number of firms by year / sector / size class
Some of the policy questions that can be answered:

- Has divergence in productivity increased over time? Is the increase due to the top or the bottom of the distribution? Is this linked to wages dispersion?
- Is the allocation of resources efficient in a particular economy?
- What are the contribution of business dynamism to productivity growth?
- What is the role of large firms for the economy?

How?

- Measures of Productivity: LP; MFP Wooldridge; MFP Solow…
- Changes in distributions over time (productivity; wage and size)
- Firm-level productivity and employment growth
- Static and Dynamic Productivity decompositions
- Measures of Misallocation
Employment and business dynamics: the OECD DynEmp project

Building blocks and data sources:

- DynEmp
  - DynEmp Express, DynEmp v.2 and DynEmp3
  - Firm-level data from BR or other administrative sources
- DynEmp Regional
  - Focus at the local level (TL2 regions, metropolitan areas)
  - Plant-level data from administrative sources

Coverage:

- More than 20 countries participate in the project
- Data until 2015 (DynEmp3 and DynEmp Regional)
- Age, size, industry, employment growth percentiles, trade, ownership, transition dynamics following cohorts of firms

Representativeness:

- Data aim at universal (population) coverage
Some of the policy questions that can be answered:

- What kind of businesses create more jobs? What is the role of size and age?
- What role of start-ups and new firms for job creation across countries?
- What are the policy determinants of differences in employment growth between entrants and established incumbents?
- Is business dynamism declining?

How?

- Gross job flows
- Employment growth statistics: average employment growth, growth dispersion and volatility
- Business dynamism measures: churning rates and excess job reallocation rates; entry and exit rates
- Cohort-level analysis: survival shares, post-entry growth performance up to 10 years
- Distribution of employment growth rates
SOME KEY TAKEAWAYS, SO FAR
Increase in Productivity Dispersion, especially at the bottom of the distribution

Source: Berlingieri et al. (2017).
Note: Year dummy estimates of a regression of between-firm log-productivity dispersion (90th to 10th percentiles ratio) within country-sector pairs.
But also... Increase in wage inequality, especially at the bottom of the distribution

Source: Berlingieri et al. (2017).
Note: Year fixed-effects of a regression of log-wage dispersion, within country-sector pairs.
These divergences are linked and depend on policy and structural factors

- Wage dispersion is linked to productivity dispersion within country-sector over time

- Role of policy and structural factors
  - Increased globalisation and digitalisation associated with wage divergence, and stronger productivity-wage dispersion link
  - Important role of minimum wages, unionization, EPL and wage coordination
Heterogeneity of employment dynamics along different dimensions

- Young firms are key for job creation across countries
- The extent to which new firms add new jobs to the existing workforce can be decomposed in:
  - Start-up ratio
  - Average size at entry
  - Survival share
  - Post-entry growth
- Important cross-country variation along these margins
- New firms appear more vulnerable to policy failures than established incumbents

See OECD (2016); Calvino, Criscuolo and Menon (2015, 2016); Criscuolo, Gal and Menon (2014)
Declining business dynamism across countries

Source: OECD DynEmp v.2 database.
NEXT STEPS...
Next Steps

Data
- Extend the analysis to more countries
- Adding dimensions at the firm level (e.g.: skill/occupation composition)
- Use of matched employer-employee data

Analyses
- Digitalisation and business dynamics
- Understand the link among divergence, concentration, market power, and declining business dynamism
- Determinants of declining business dynamism
- Understand the links among wage, size and productivity
- Misallocation and the role of policy
THANK YOU!

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Further information online...

**MultiProd**


**DynEmp**

[http://www.oecd.org/sti/dynemp.htm](http://www.oecd.org/sti/dynemp.htm)
Further reading


