



# COMPNET ECB CONFERENCE

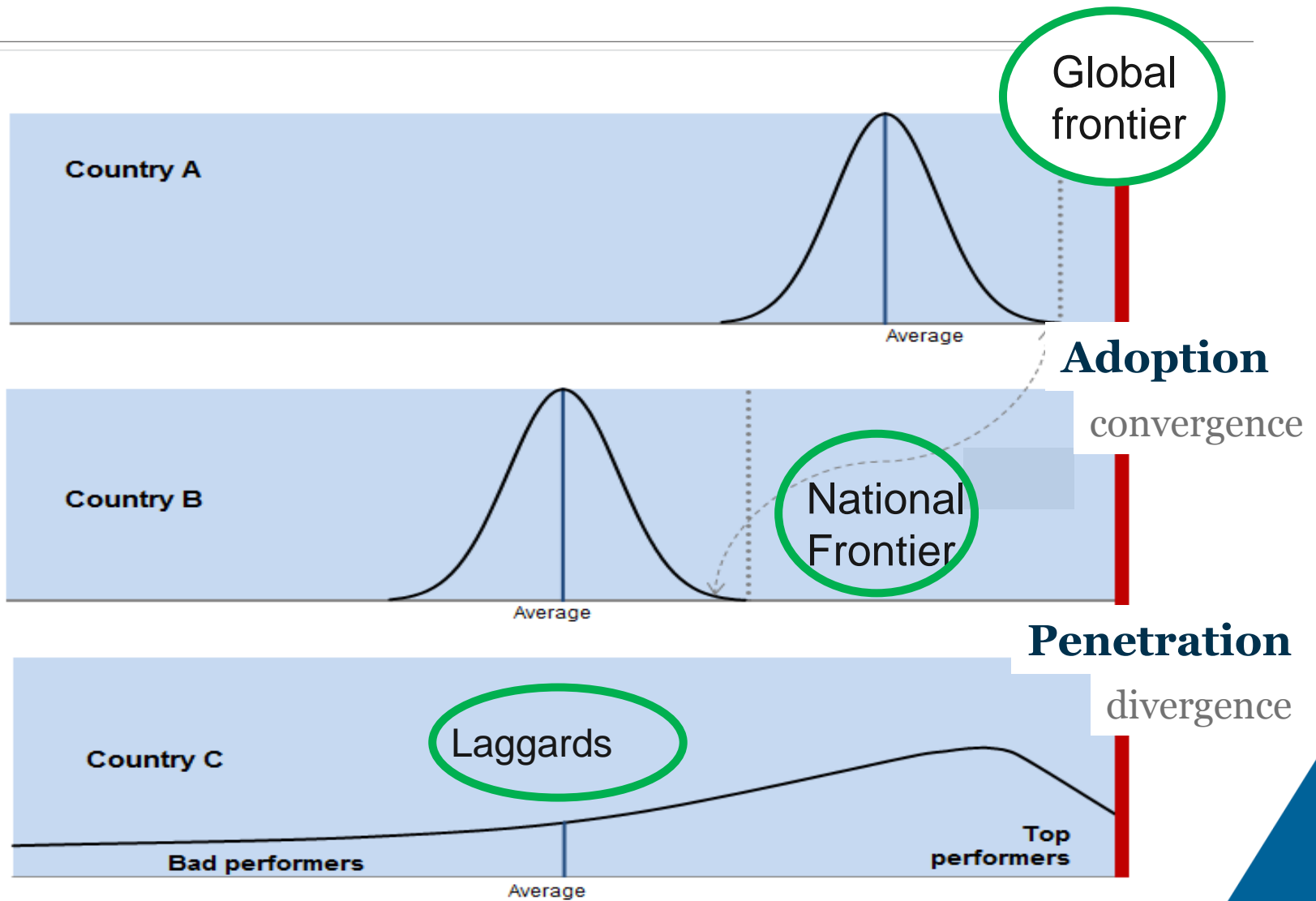
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## A few reflections on productivity, business dynamics and growth

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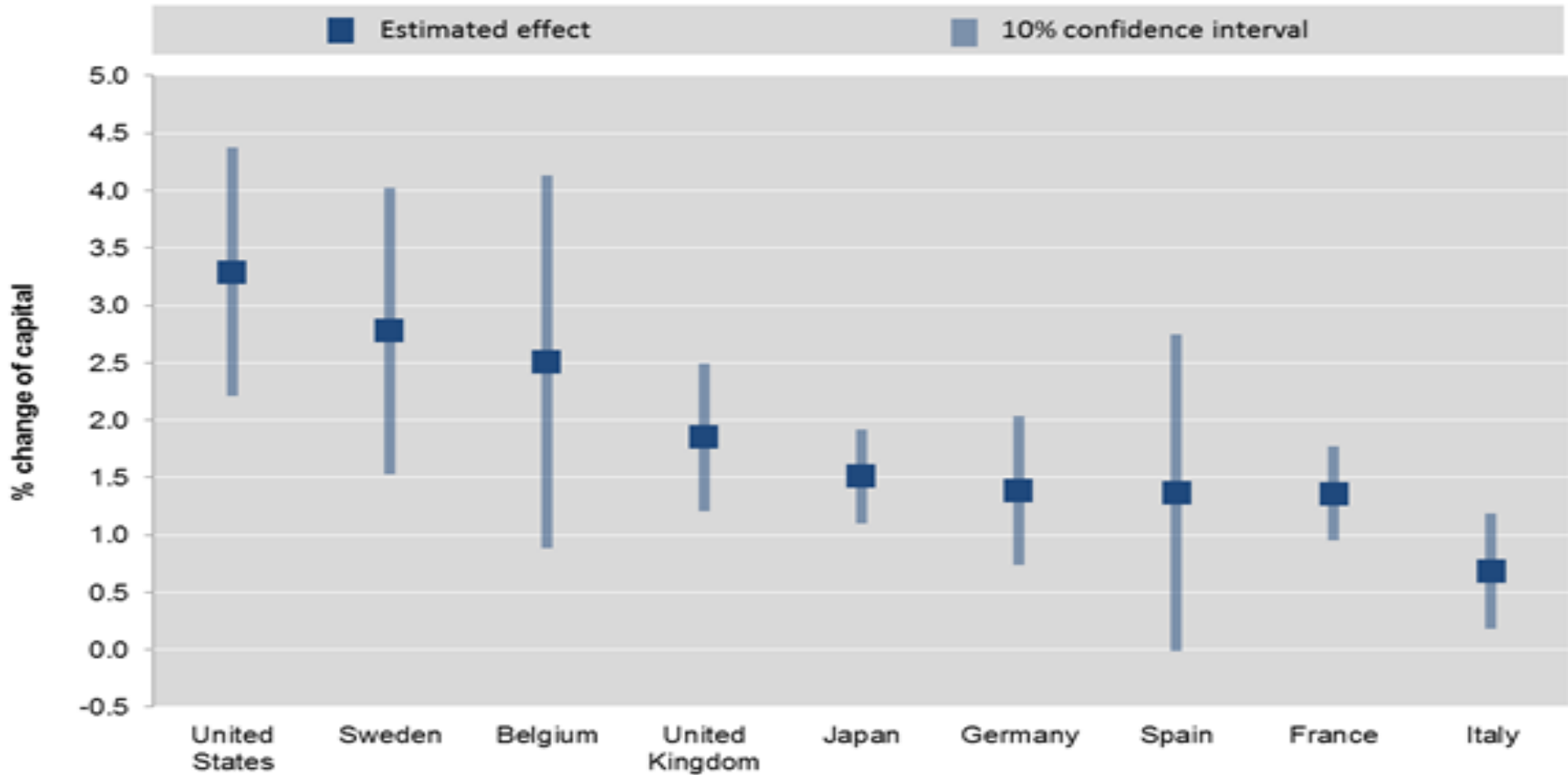
# 1. Thinking about productivity





## 2. Resource allocation - resources in some countries don't flow to innovative firms

Change in capital stock associated with a 10% change in patent stock (2003-2010)

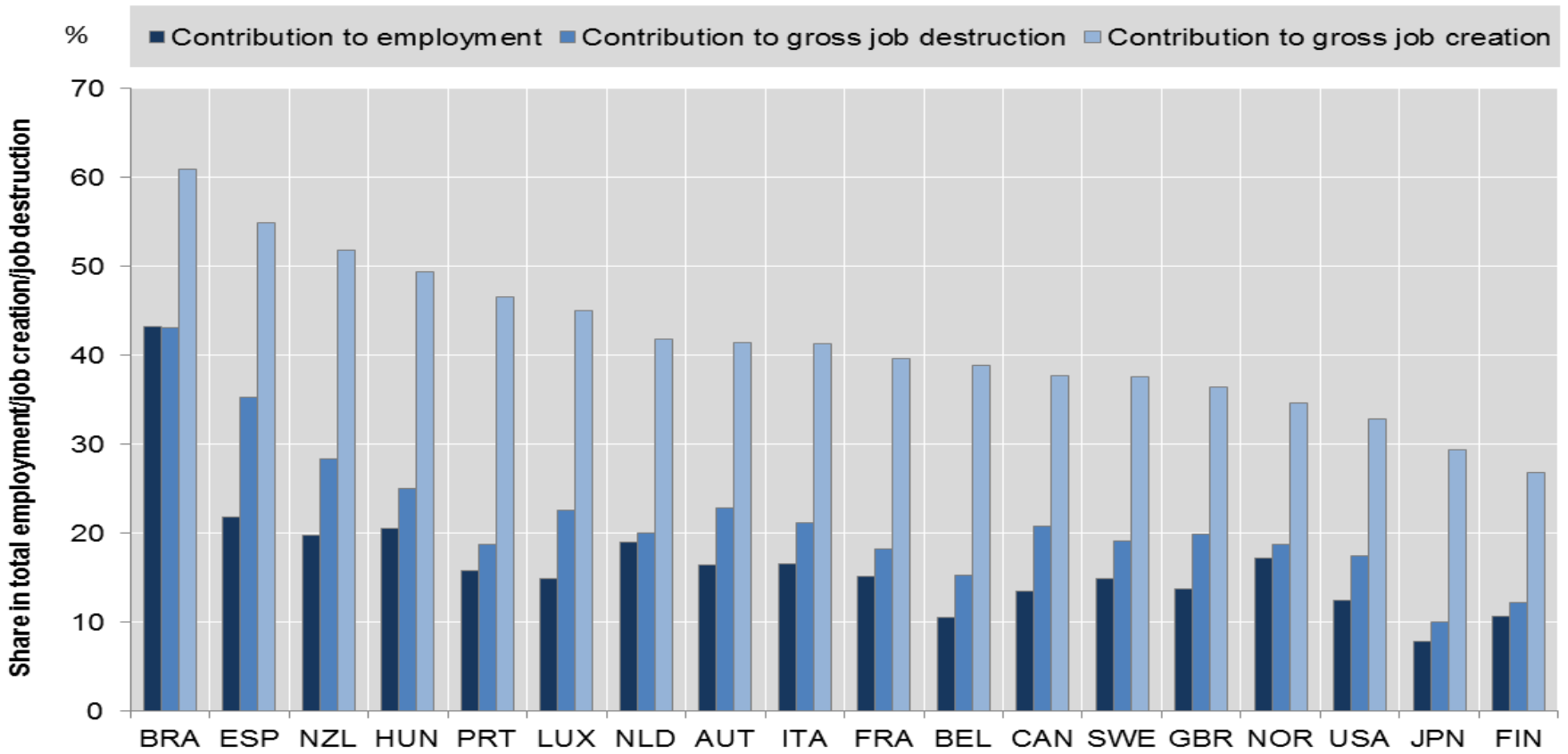


Source: Andrews, Criscuolo, and Menon (2014).



### 3. Young firms create new opportunities ...

Contributions of young firms to employment, job creation and job destruction, 2001-2011

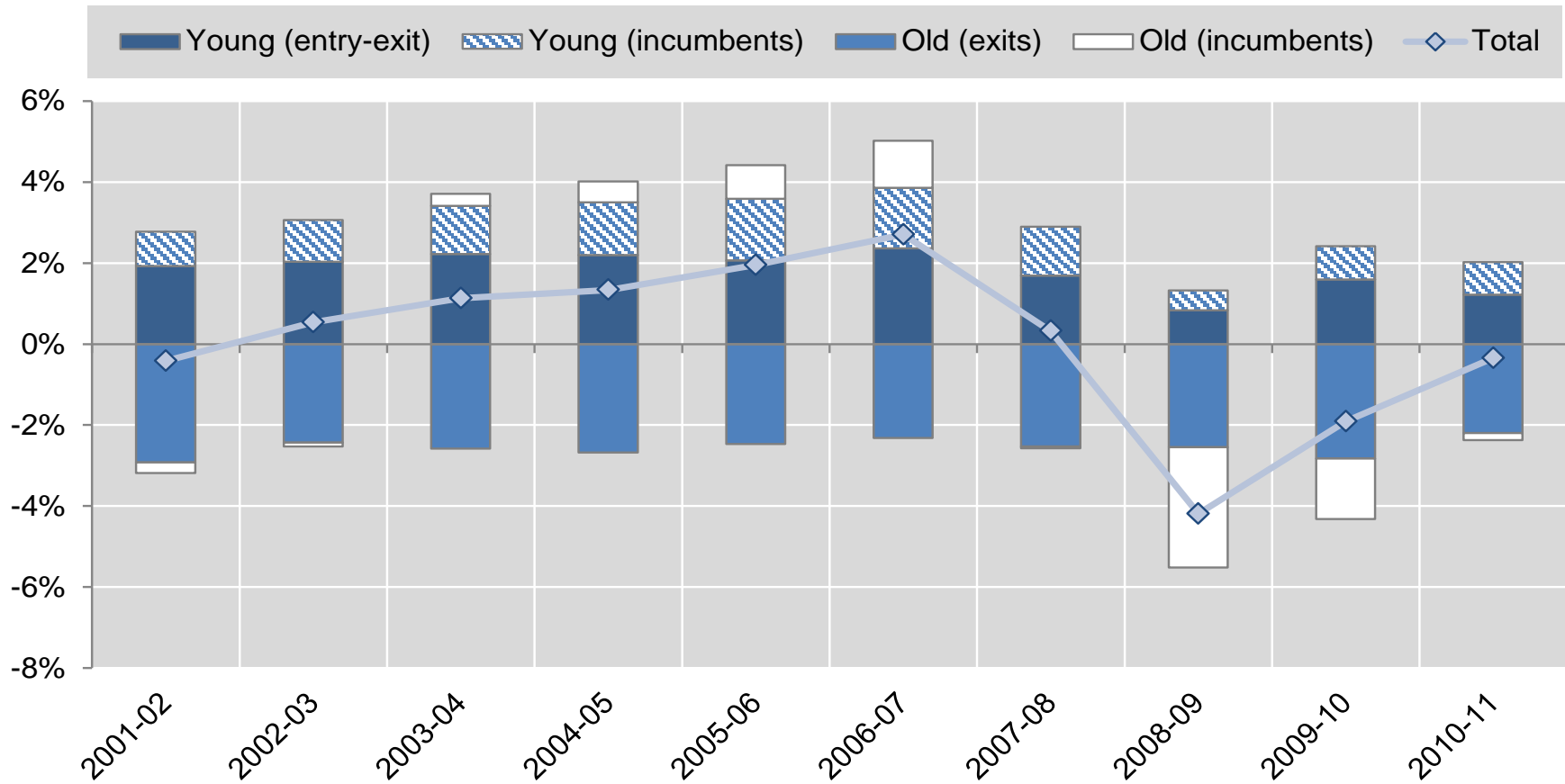


Source: Criscuolo, Gal and Menon (2014), [www.oecd.org/sti/dynemp.htm](http://www.oecd.org/sti/dynemp.htm)



# ... even during the crisis, when most jobs were destroyed in old firms ...

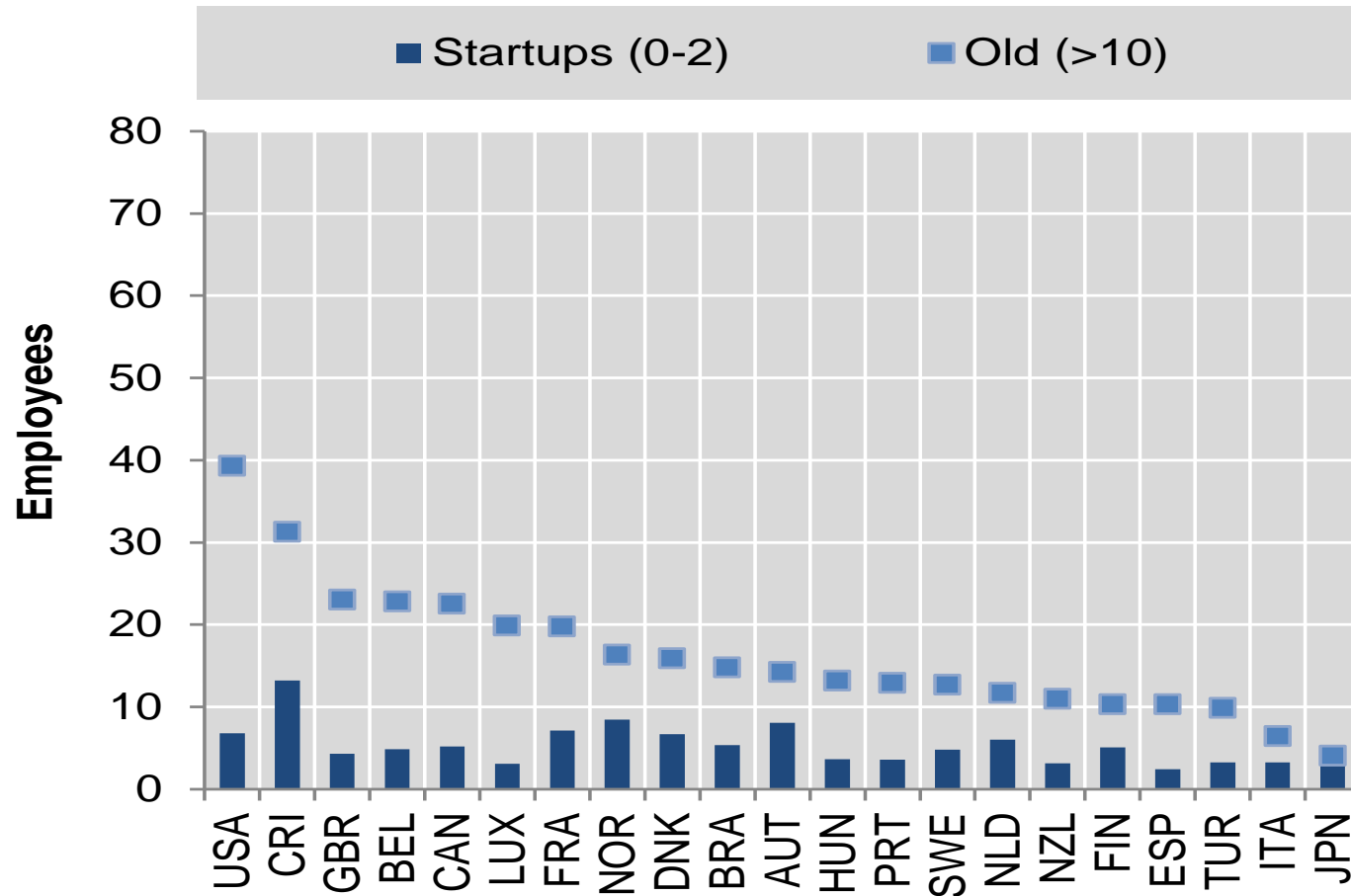
Average over 18 countries, 2001-2011, in %





## ... but scaling of young innovative firms is a challenge in many countries

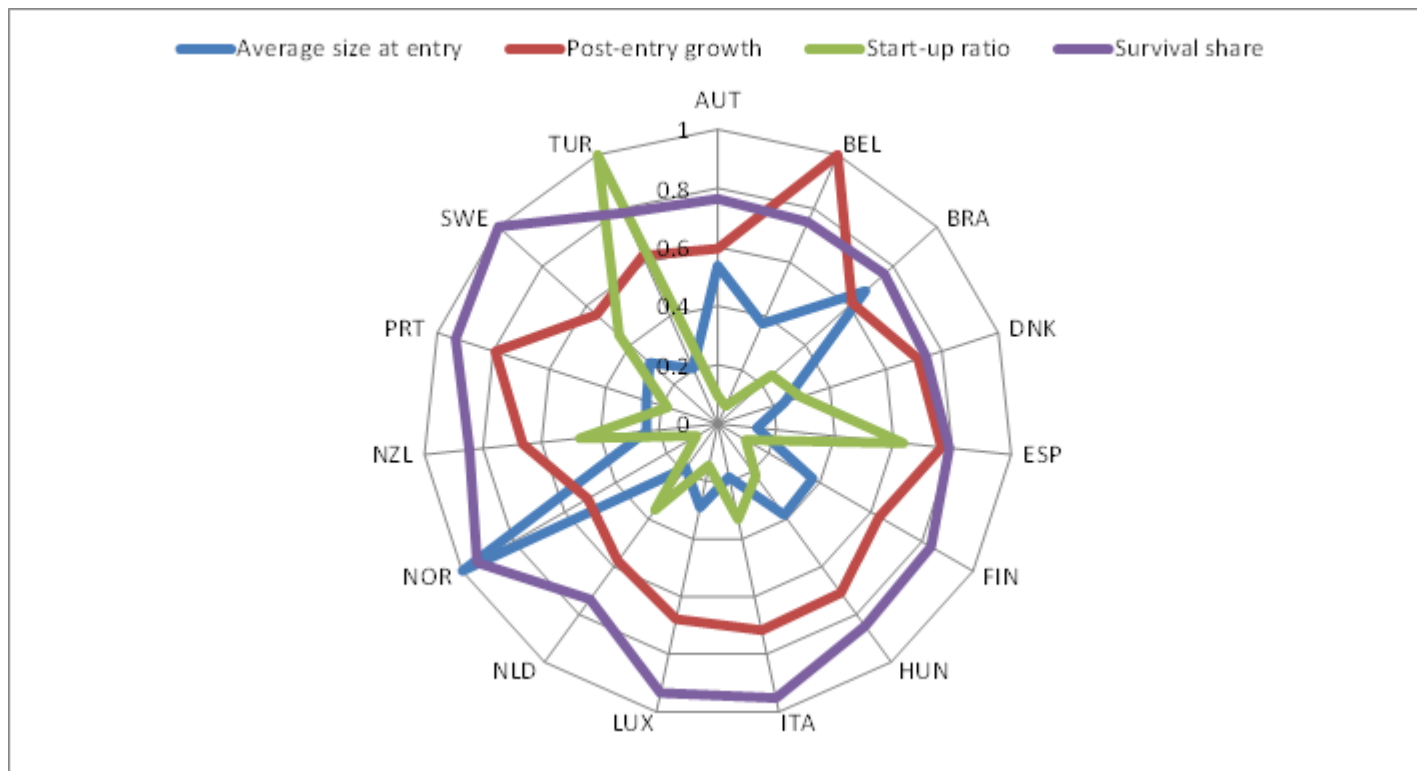
Average size of start-ups and old firms, in persons employed, services sector





# Business Dynamism and The Life Cycle of the Firm: Factors that Affect Performance

Avg Size at Entry, Post-Entry Growth, Start-Up Rates and Survival



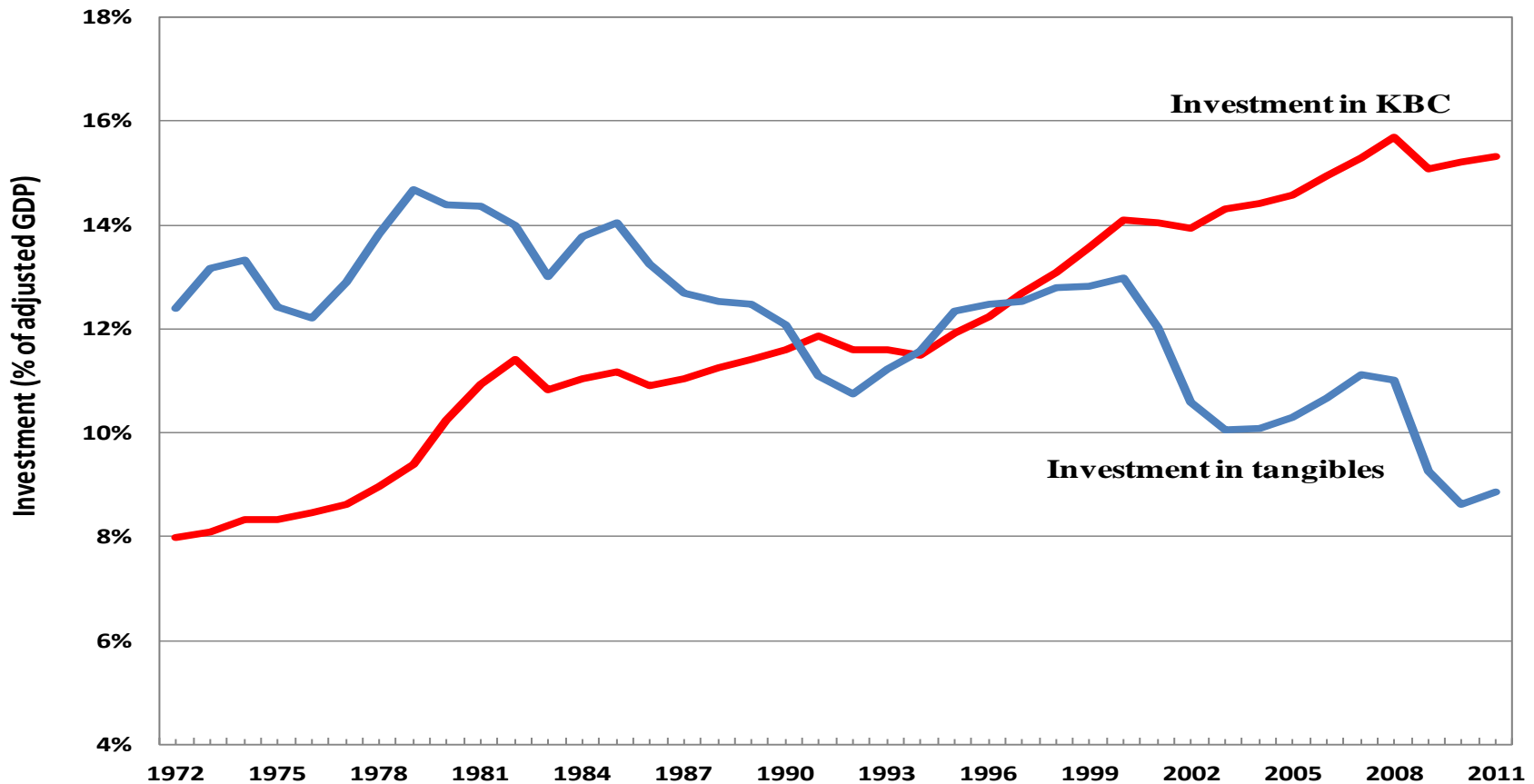
Note: the graph illustrates the four components of the growth decomposition normalized over the maximum value across all countries included in the sample.

Source: OECD DynEmp v.2 database. Data for some countries are still preliminary. Data for Brazil developed in co-operation with IPEA.



## 4. A growing share of business investment is no longer in tangibles ...

Business investment in KBC and tangible assets in the United States  
(% GDP, 1972-2011)



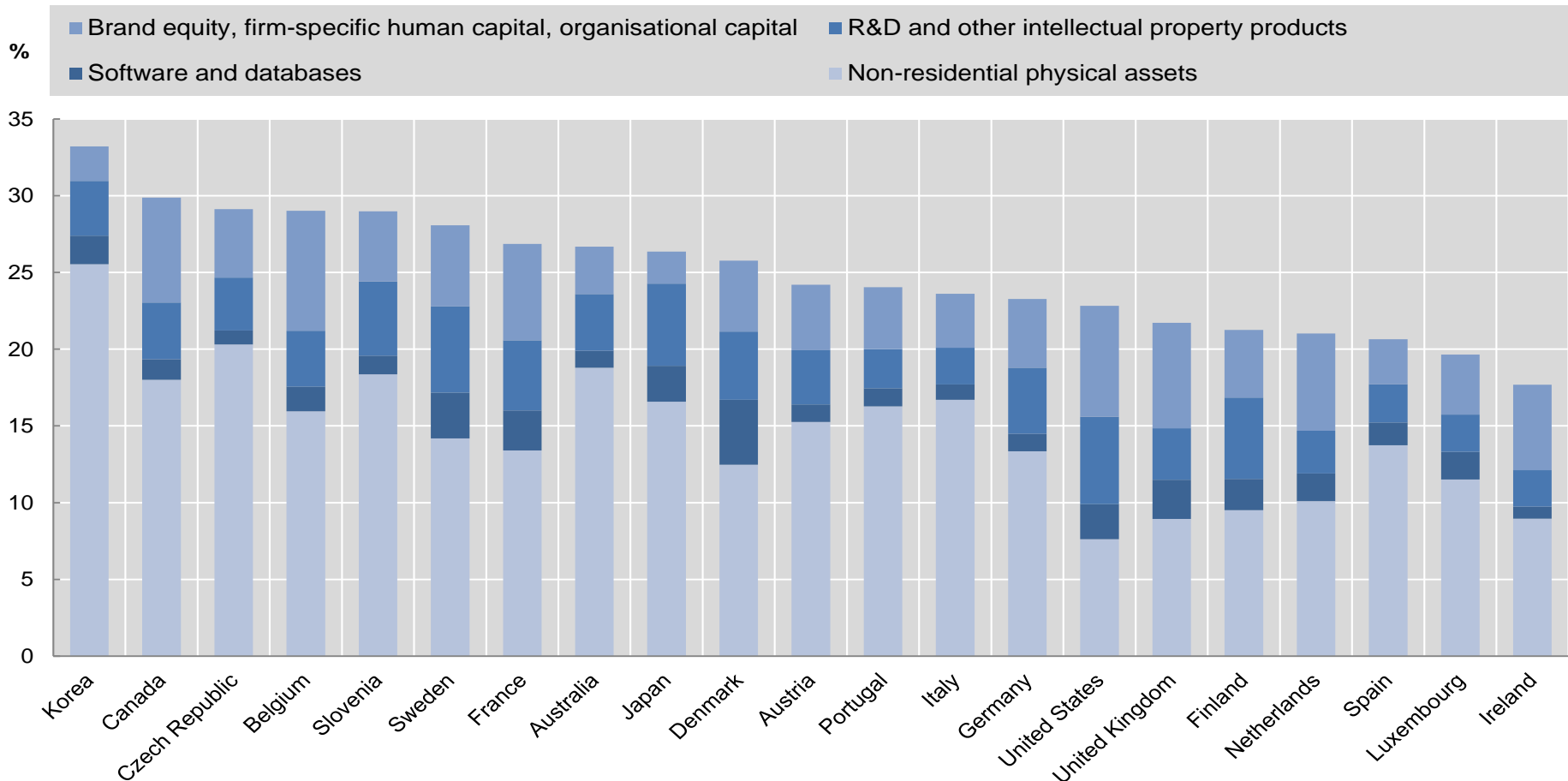
Source: Corrado et al. (2012).





# ... as knowledge-based capital now accounts for over half of all business investment

## Business investment in KBC and tangible assets (as % of business sector value added, 2010)



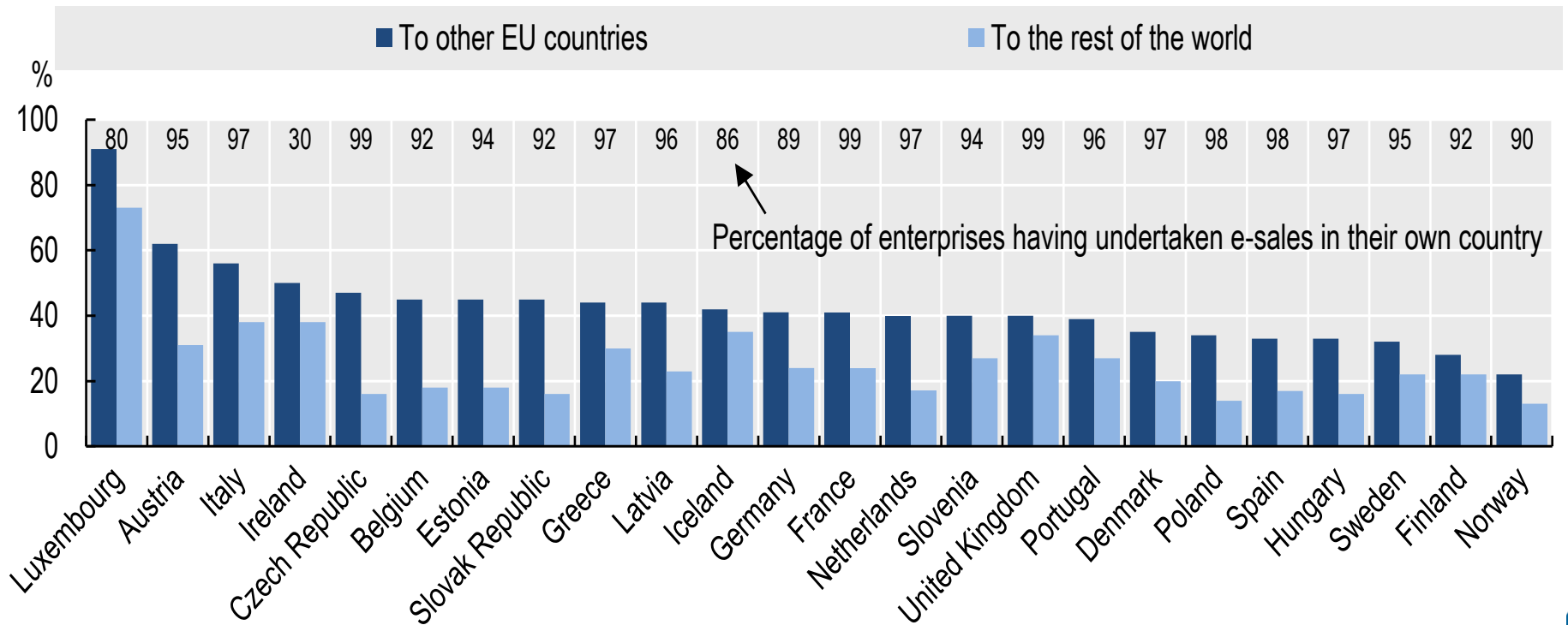
Source: OECD calculations based on INTAN-Invest, Eurostat and multiple national sources.



## 5. Digital – worth considering what it is doing to trade

### Cross-border e-commerce sales by enterprises, 2012

As a percentage of all enterprises having undertaken sales via e-commerce



Source: OECD (2014), *Measuring the Digital Economy. A New Perspective*, OECD Publishing.

<http://dx.doi.org/10.1787/888933148101>



## Some issues for policy to consider

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- **Productivity** – diffusion and reallocation of resources
- **Enabling experimentation and firm growth:** Not just barriers to entry, but also to growth (e.g. size-specific regulations), and exit/failure of firms (e.g. bankruptcy legislation, employment protection legislation, subsidies).
- **Keeping the unborn in mind:** Policies often still favour incumbents and MNEs (e.g. R&D tax credits, some environmental regulations, incumbent subsidies that delay exit).
- **Trade barriers, including the EU internal market,** which might enable firms can scale more easily across borders.
- **Investment** – complementarities and additional framework policies matter
- **Digital/ICT:** - services trade, e-commerce, born global