

## 13. Distribution of enterprises by growth rate

The distribution of enterprises by rate of growth is an important indicator of the heterogeneity of business dynamics. It contributes to the analysis, for example, of job creation and productivity.

### Definition

The indicators presented measure the distribution of firm growth over a three year period. An average annualised growth, in terms of the number of employees, is measured for each firm and, based on this, enterprises are allocated into one of the eleven intervals of growth set, i.e. from less than -20% to more than +20% employment growth per annum.

In Figure 13.1, each column reflects the share of enterprises with ten or more employees with average annual employment growth over a three-year period falling in a given growth interval.

For each country, the share of high-growth firms corresponds to the column at the top of the growth distribution.

### Comparability

High-growth enterprises follow the definition of the *Eurostat-OECD Manual on Business Demography Statistics*, i.e. enterprises with average annualised growth in employees greater than 20% a year, over a three-year period, and with ten or more employees at the beginning of the observation period. However, data in Figure 13.1 are expressed as the share of firms in each growth interval relative to all surviving firms with ten or more employees at the beginning of the period. For a same country, the share of firms in the “more than 20%” interval is therefore not directly comparable with the share shown in the section “high-growth

enterprises” of this publication, which reports the share of high-growth firms relative to the total population of active enterprises in the reporting year with at least ten employees.

Data refer to the population of firms with 10 or more employees, with the exception of Canada, for which data refer to enterprises with 10 or more employees and less than 250 employees.

### Highlights

In European countries a large share of enterprises remain stable over time, while the distribution of firm growth in the United States indicates that US enterprises expand and contract faster.

### Source

Bravo Biosca, A. (2010), “Growth Dynamics”, FORA-NESTA Research Report.

### For further reading

Bravo Biosca, A. (2010), “Growth Dynamics: Exploring business growth and contraction in Europe and the US”. Research Report, London: FORA and NESTA.

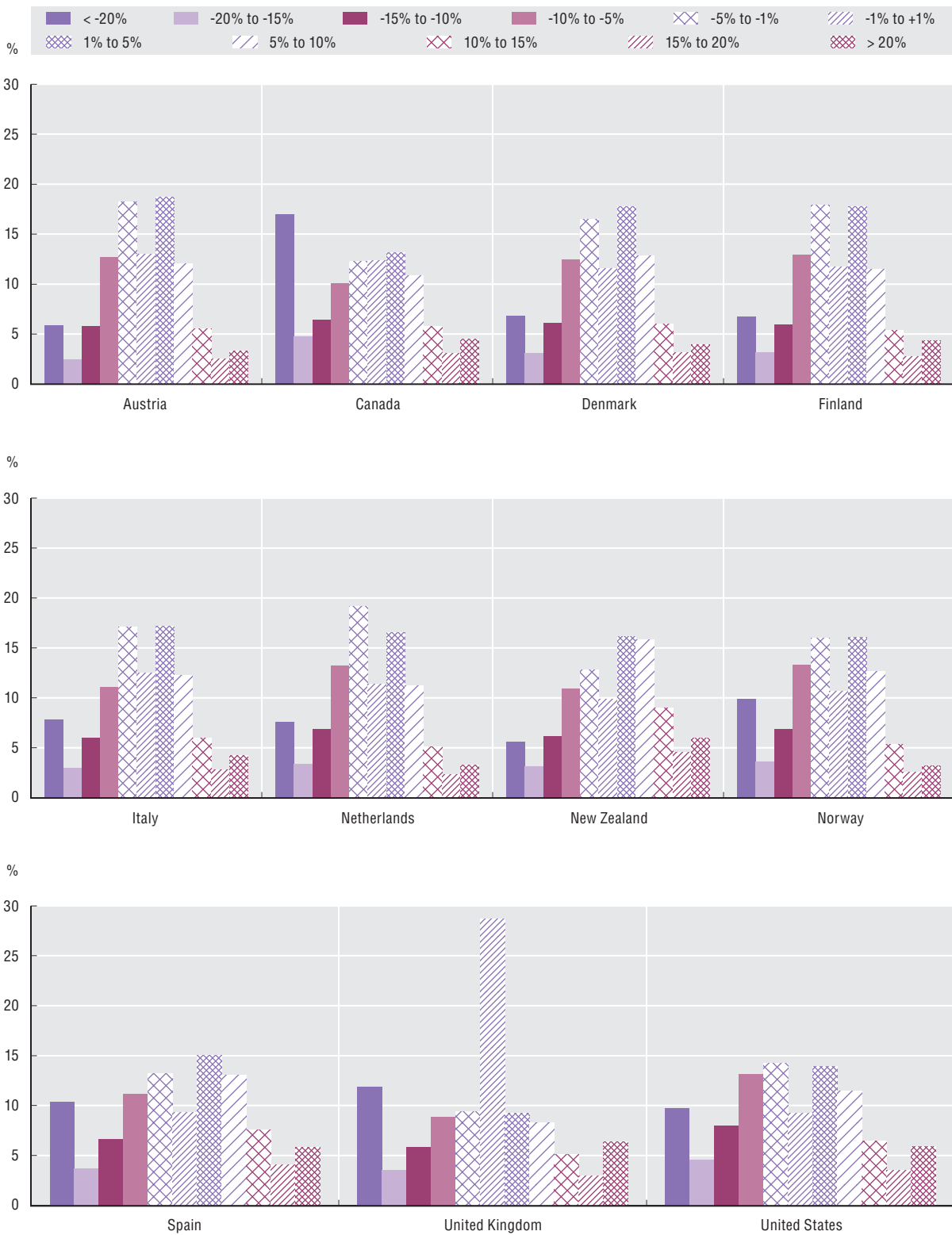
Bravo-Biosca, A. (2010), “Firm growth dynamics across countries: Evidence from a new database”, Mimeo, November 2010, London: NESTA.

Eurostat/OECD (2007), *Eurostat-OECD Manual on Business Demography Statistics*, OECD, Paris.

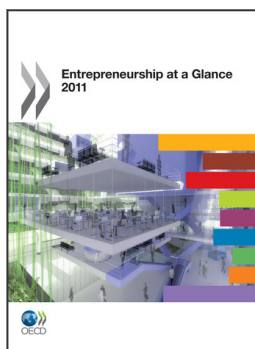
Ahmad, N. and D. Rude Petersen (2007), *High-Growth Enterprises and Gazelles – Preliminary and Summary Sensitivity Analysis*, OECD-FORA, Paris.

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Figure 13.1. Distribution by employment growth class (2002-2005)



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