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Decomposing UK aggregate labour productivity and growth: 1998-2013 using the ONS business structure database data

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This study provides a comprehensive analysis of UK labour productivity patterns and contributing factors over the 1997-2013 period. Based on the ONS Business Structure Database (BSD), we present a full picture of the UK firms' productivity patterns in the whole economy over the examined period and in particular during the "Great Recession", at aggregate level, sector level, and among heterogeneous groups. We observe significant business demographic changes underlying UK aggregate productivity change, featuring an increasing number of small businesses especially single-employee firms, less entrants and more exits and discuss the implications of these changes in explaining the productivity decline. When differentiating firm growth types, we find "Growth heroes" and "Decline by efficiency loss" firms over-contribute to aggregate labour productivity compared to their weight in the business population. In contrast, an already large group of 'Decline by contraction' firms surged over the recent recession and under-contribute to aggregate labour productivity. We highlight that *within* firm productivity improvement has been mainly responsible for aggregate productivity changes in the UK while resource allocation on average played a limited role in driving the aggregate productivity change.