
Research Paper No. 74

EXECUTIVE SUMMARY

January 2019

(full paper link: <http://enterpriseresearch.ac.uk/publications/erc-research-papers/>)

Fecundity, fertility, survival and growth: high-growth firms in the UK and their contribution to job creation, a demographic perspective

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High growth firms (HGFs) have attracted an increasing amount of attention in the last decade as economies begin to emerge from a period of deep recession and policymakers take a renewed interest in firms which generate jobs on a large scale. The origins of the literature on HGFs lie (somewhat improbably) in a late 1970s consultant's report by David Birch which investigated the relative importance of firm migration in accounting for cross-regional variation in job creation. He was surprised to find that a relatively small number of firms— largely small firms – accounted for a relatively large proportion of job creation. Although Birch's claim about the extent of the small firm role in job creation proved controversial, the broader conclusion, about the key role of a small number of firms, became widely accepted quite quickly. However, despite the attention given to HGFs by policymakers and researchers, surprisingly little seems to be known about the longer-term performance of HGFs and, in particular, about their growth outside the period which led them to be classified as HGFs.

The principal contributions of this paper build on the distinction between high-growth episodes and high-growth firms. The ‘birth’ of an HGF is marked by its first high-growth episode, but the HGF may (indeed is quite likely to) record further high-growth episodes in subsequent years. We use data on the first 15 years of life of a cohort of UK firms born in 1998 to populate a set of demographic accounts which recognize the episode/firm distinction and track the performance of HGFs from birth, recording their age at subsequent episodes and their chances of survival. Then, by constructing a parallel set of accounts for non-HGFs, we are able to determine the extent to which HGF status improves survival chances and estimate the relative importance of the HGF contribution to job creation. It becomes clear that a failure to recognize the distinction between episodes and firms gives a misleading picture of HGFs, their numbers and their contribution to job creation and potentially confuses the policy debate on scale-ups.