Glossary:Herfindahl Hirschman Index (HHI)

Statistics Explained

The **Herfindahl–Hirschman Index (HHI)** is a common measure of market concentration of an industry - the size of firms in relation to the industry they are in- and is used to determine market competitiveness.

It is is calculated by squaring the market share of each competing firm in the Industry and then summing the resulting numbers, where the market shares are expressed as fractions or points. The result is proportional to the average market share, weighted by market share. As such, it can range from 0 to 1.0, moving from a huge number of very small firms to a single monopolistic producers. Alternatively, if whole percentages are used, the index ranges from 0 to 10,000 "points". For example, an index of .25 is the same as 2,500 points.

A low degree of concentration means that the industry is closer to a perfect competition scenario, where many firms of more or less equal size share the market. Increases in the Herfindahl index generally indicate a decrease in competition and an increase of market power, whereas decreases indicate the opposite.

Further information

- Statistics on labour market concentration using online job ads

Related concepts

- Labour Market
- Industry

Statistical data

- Statistics on labour market concentration using online job ads