

## 5. Birth rate of employer enterprises

The birth of new enterprises is a key indicator of business dynamism. It reflects an important dimension of entrepreneurship in a country, namely the capacity to start up entirely new businesses.

Employer enterprises are economically more relevant than non-employer firms and more closely related to the notion of entrepreneurship as a driver of job creation and innovation.

### Definition

An employer enterprise birth refers to the birth of an enterprise with at least one employee. The population of employer enterprise births consists first of “new” enterprise births, i.e. new enterprises reporting at least one employee in the birth year; and second, enterprises that existed before the year under consideration but were then below the threshold of one employee, and that reported 1 or more employees in the current, i.e. birth, year.

Employer enterprise births do not include entries into the population due to: mergers, break-ups, split-off or restructuring of a set of enterprises. They also exclude entries into a sub-population resulting only from a change of activity.

The *employer enterprise birth rate* corresponds to the number of births of employer enterprises as a percentage of the population of active enterprises with at least one employee.

### Comparability

“Employer” indicators are found to be more relevant for international comparisons than indicators covering all enterprises, as the latter are sensitive to the coverage of business registers. In many countries, the main sources of data used in business registers are administrative tax and employment registers, meaning that often only businesses above a certain turnover and/or employment threshold are captured. An economy with relatively high thresholds would therefore be expected to have lower birth statistics than similar economies with lower thresholds. An additional complication relates to changes in thresholds over time. Monetary based thresholds change over time in response to e.g. inflation and fiscal policy, both of which

can be expected to affect comparisons of birth rates across countries and over time. The use of the one-employee thresholds improve comparability, as it excludes very small units, which are the most subject to threshold variations.

The concept of employer enterprise birth itself is not without problems. Many countries have sizeable populations of self-employed. If a country creates incentives for the self-employed to become employees of their own company the total number of employer enterprise births will increase. This can distort comparisons over time and across countries, even if from an economic and entrepreneurial perspective little has changed.

Data presented refer to the whole population of employer enterprises, with the exception of Canada, for which data refer to employer enterprises with less than 250 employees.

### Highlights

Birth rates of employer enterprises are higher in the services sector than in manufacturing. The new firms created employ typically 1 to 4 employees, while few start with more than 10 employees.

### Source/Online database

OECD Structural and Demographic Business Statistics (SDBS) Database.

<http://dx.doi.org/10.1787/sdbs-data-en>

### For further reading

OECD (2010), *Structural and Demographic Business Statistics*, OECD Publishing, Paris.

<http://dx.doi.org/10.1787/9789264072886-en>

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

Ahmad, N. (2006), “A Proposed Framework For business Demography Statistics”, *OECD Statistics Working Papers*, 2006/3, OECD Publishing, Paris.

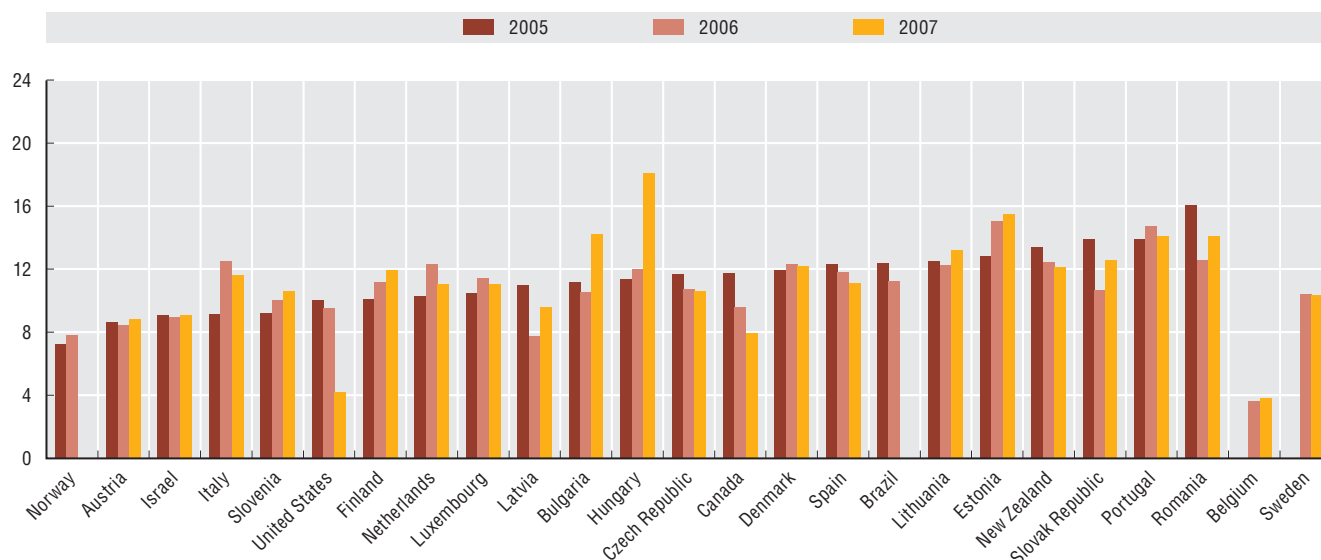
<http://dx.doi.org/10.1787/145777872685>

Information on data for Israel:

<http://dx.doi.org/10.1787/888932315602>

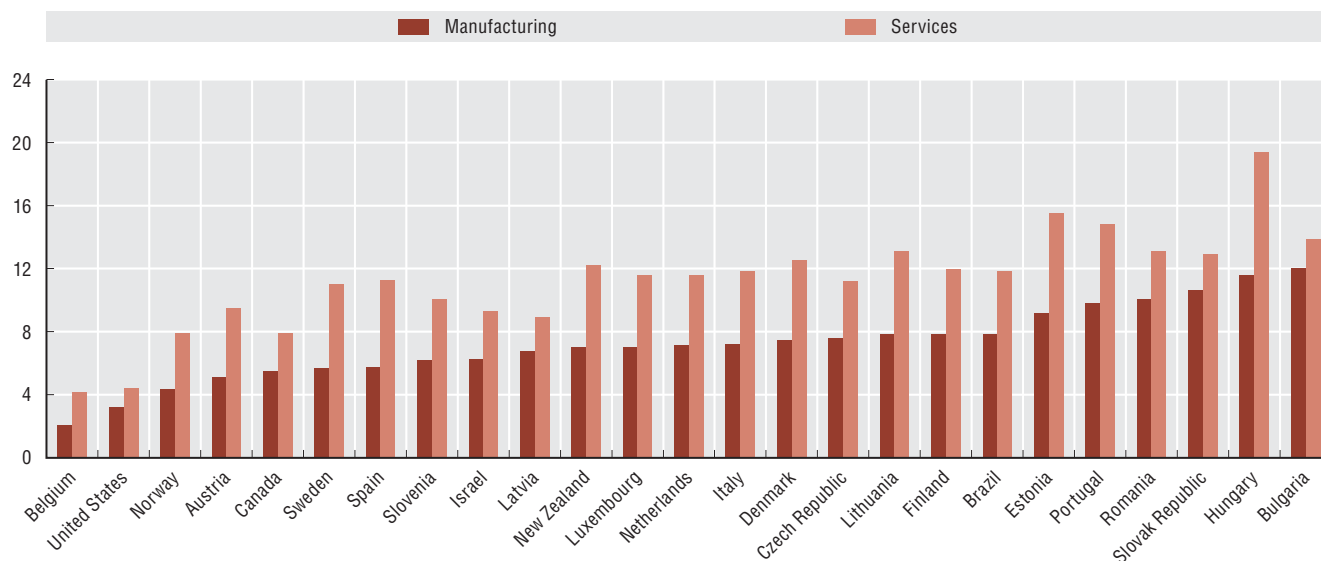
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Figure 5.1. **Employer enterprise birth rates in all industries, 2005 to 2007**



StatLink <http://dx.doi.org/10.1787/888932384401>

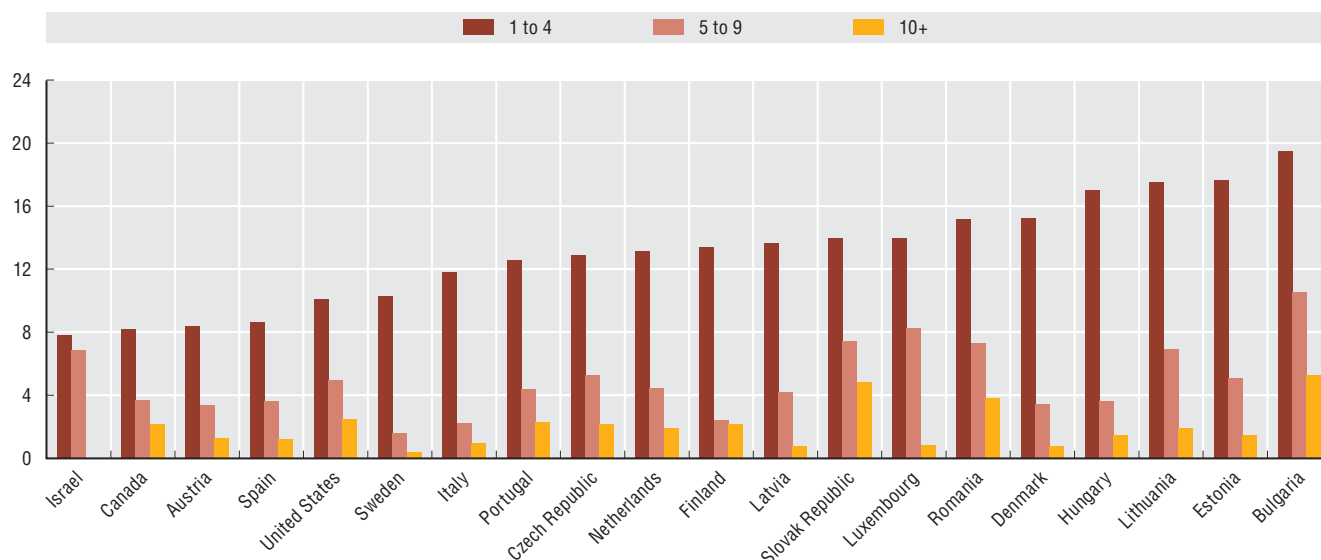
Figure 5.2. **Employer enterprise birth rates in manufacturing and services in 2007**



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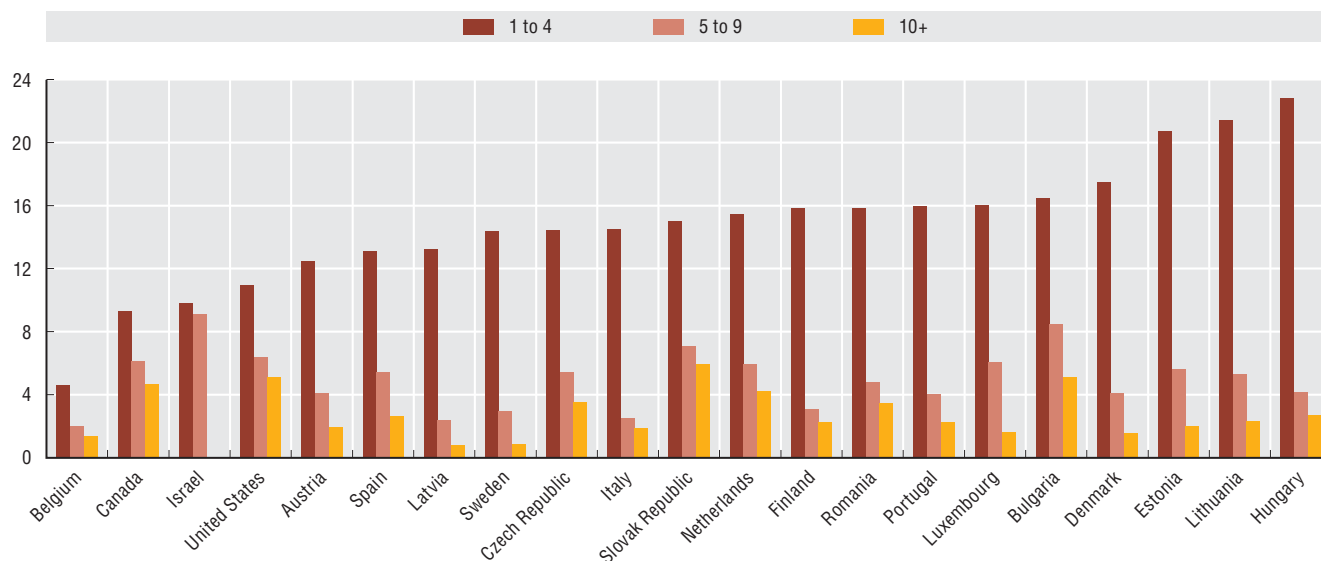
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Figure 5.3. Employer enterprise birth rate by size class in manufacturing in 2007



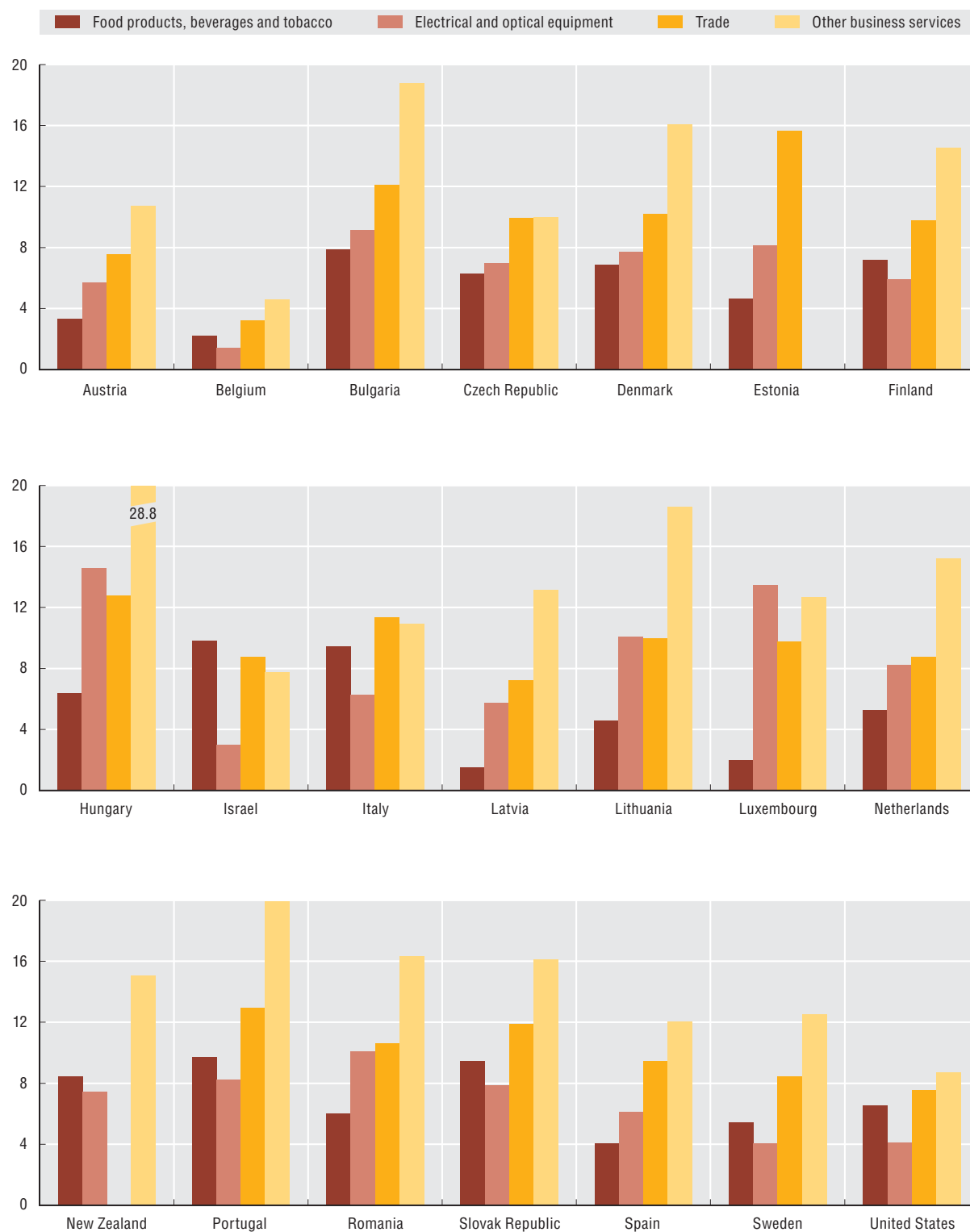
StatLink <http://dx.doi.org/10.1787/888932384439>

Figure 5.4. Employer enterprise birth rate by size class in services in 2007

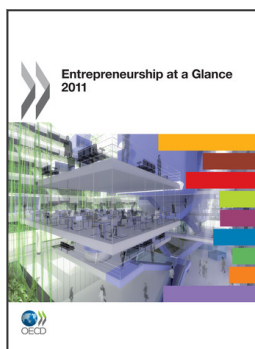


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Figure 5.5. **Employer enterprise birth rates in various industries in 2007**



StatLink <http://dx.doi.org/10.1787/888932384477>



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