

Churn rate of employer enterprises

Key facts

- The churn rates of employer enterprises range on average between 10% and 20% in industry and between 15% and 30% in services and construction. Only a few countries show much lower (the Netherlands) or much higher (Brazil) churn rates.
- The churn rates of employer enterprises are higher in services and construction than in industry, reflecting more significant business dynamics in these sectors. The 2012 churn rate in services reaches on average the 2007 level.

Relevance

The churn rate, i.e. the sum of births and deaths of enterprises, indicates how frequently new firms are created and existing enterprises close down. In most economies, the number of births and deaths of enterprises is a sizeable proportion of the total number of firms. The indicator reflects a country's degree of "creative destruction", and supports, for example, the analysis of the contribution of firm churning to aggregate productivity growth.

Comparability

Employer enterprise birth and death data used in the compilation of the employer enterprise churn rate follow the

Definitions

The *employer enterprise churn rate* is compiled as the sum of the employer enterprise birth rate and the employer enterprise death rate.

The *employer enterprise churn rate* does not include entries and exits into the population due to mergers, break-ups, split-offs, take overs or restructuring of a set of enterprises. It also excludes entries and exits into a sub-population resulting only from a change of activity.

There is a time lag in the employer enterprise churn rate compilation, linked to the process of confirmation of employer enterprise deaths.

For the definition of "Total business economy", see Reader's guide.

Information on data for Israel: <http://dx.doi.org/10.1787/888932315602>.

definition given in the *Eurostat-OECD Manual on Business Demography Statistics* (2008).

As shown in previous sections, "employer" indicators provide the basis for a higher degree of international comparability than indicators based on all enterprises, as the latter are sensitive to the coverage of, and thresholds used in, business registers.

Data presented refer to the whole population of employer enterprises, with the exception of Canada, for which data for 2007 and earlier years refer to employer enterprises with less than 250 employees. Data for the United States are compiled according to ISIC Revision 3.

For Australia, enterprise births and deaths and indicators derived from them do not take into account the transition of enterprises from zero employees to 1 or more employees status or *vice versa*, i.e. the transition of a non-employer enterprise to the status of employer firm is not considered as an "employer enterprise birth", and the transition of an employer firm to the status of a non-employer enterprise is not considered as an "employer enterprise death".

Source

OECD *Structural and Demographic Business Statistics* (SDBS) (database), <http://dx.doi.org/10.1787/sdbs-data-en>.

Further reading

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>.

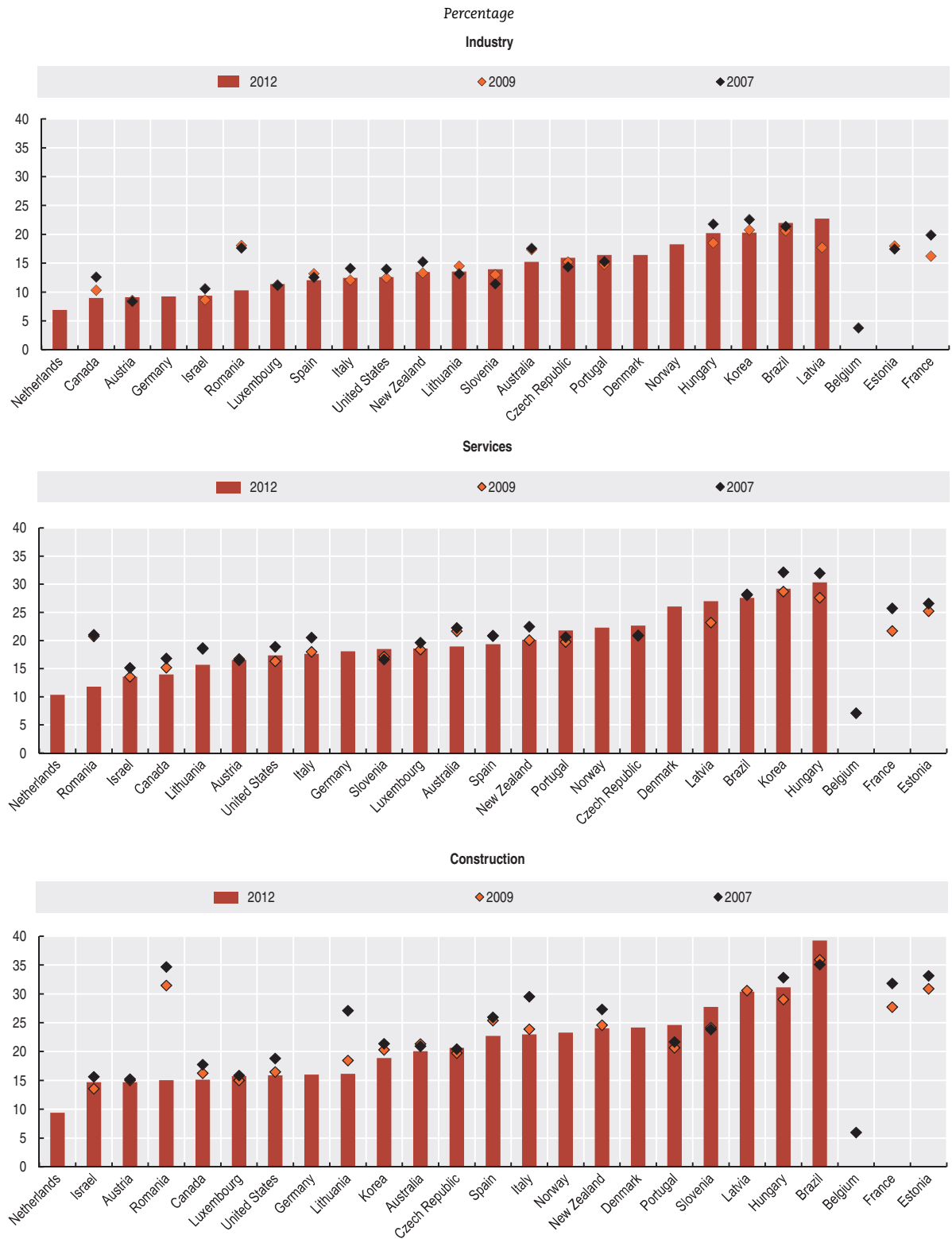
Criscuolo, C., P. N. Gal and C. Menon (2014), "The Dynamics of Employment Growth: New Evidence from 18 Countries", *OECD Science, Technology and Industry Policy Papers*, No. 14, OECD Publishing, <http://dx.doi.org/10.1787/5jz417hj6hg6-en>


OECD (2010), *Structural and Demographic Business Statistics*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264072886-en>.

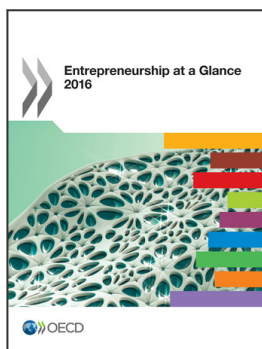
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Scarpetta, S. et al. (2002), "The role of policy and institutions for productivity and firm dynamics: evidence from micro and industry data", *OECD Economic Department Working Papers*, No. 329, OECD Publishing, Paris, <http://dx.doi.org/10.1787/547061627526>.

Figure 3.7. **Employer enterprise churn rate, by main sector**



StatLink  <http://dx.doi.org/10.1787/888933230720>



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