

### Churn rate of employer enterprises

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

#### 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 or restructuring of a set of enterprises. It does not include: exits due to take-overs; entries due to split-off; and 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, as it has to be checked that the enterprises considered as deaths have not been reactivated (or had no employees) in the following two years.

#### Comparability

Employer enterprise birth and death data used in the compilation of the employer enterprise churn rate follow the definition from the *Eurostat-OECD Manual on Business Demography Statistics*.

As developed in the previous sections, "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.

Data 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.

Data are classified according to ISIC Revision 4 for all countries except Canada, Israel and the United States for which data are in ISIC Revision 3.

#### Highlights

Churn rates of employer enterprises are higher in the services sector than in manufacturing, reflecting a more significant business dynamic in services. Churn rates are relatively similar across countries and over time, ranging from 12% to 16% in manufacturing and from 18% to 22% in services. Only a few countries show much lower (i.e. Latvia) or much higher (for example, Hungary and Portugal) churn rates.

#### Source/online database

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

#### For 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>.

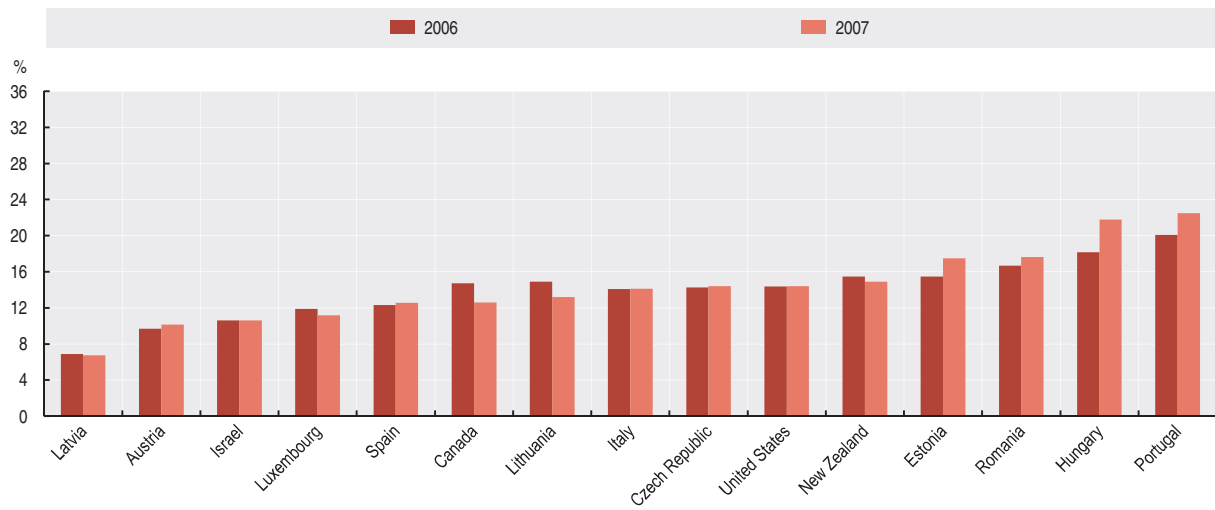
OECD (2010), *Structural and Demographic Business Statistics*, OECD Publishing, <http://dx.doi.org/10.1787/9789264072886-en>.

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

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, <http://dx.doi.org/10.1787/547061627926>.

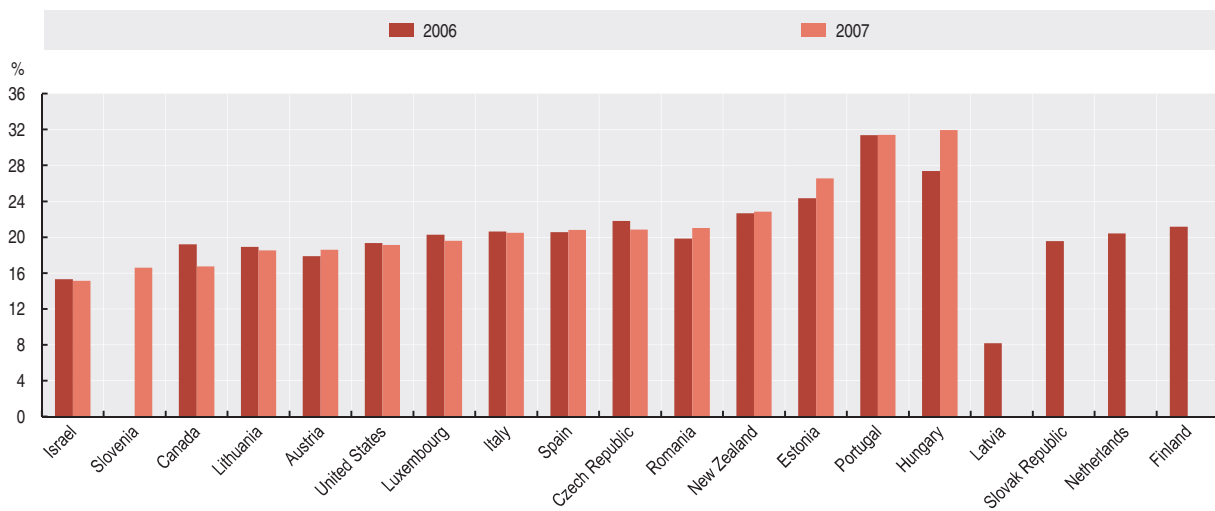
Information on data for Israel: <http://dx.doi.org/10.1787/888932315602>.


Figure 4.13 Employer enterprise churn rate, manufacturing



StatLink  <http://dx.doi.org/10.1787/888932597334>

Figure 4.14 Employer enterprise churn rate, services



StatLink  <http://dx.doi.org/10.1787/888932597353>



**From:**  
**Entrepreneurship at a Glance 2012**

**Access the complete publication at:**  
[https://doi.org/10.1787/entrepreneur\\_aag-2012-en](https://doi.org/10.1787/entrepreneur_aag-2012-en)

**Please cite this chapter as:**

OECD (2012), “Churn rate of employer enterprises”, in *Entrepreneurship at a Glance 2012*, OECD Publishing, Paris.

DOI: [https://doi.org/10.1787/entrepreneur\\_aag-2012-12-en](https://doi.org/10.1787/entrepreneur_aag-2012-12-en)

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgment of OECD as source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to [rights@oecd.org](mailto:rights@oecd.org). Requests for permission to photocopy portions of this material for public or commercial use shall be addressed directly to the Copyright Clearance Center (CCC) at [info@copyright.com](mailto:info@copyright.com) or the Centre français d'exploitation du droit de copie (CFC) at [contact@cfcopies.com](mailto:contact@cfcopies.com).