

7. 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.

Definition

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. It does not include entries due to split-off. It does not include 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. Therefore, the most recent data on the churn rate presented refer to 2006.

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.

Highlights

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

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>

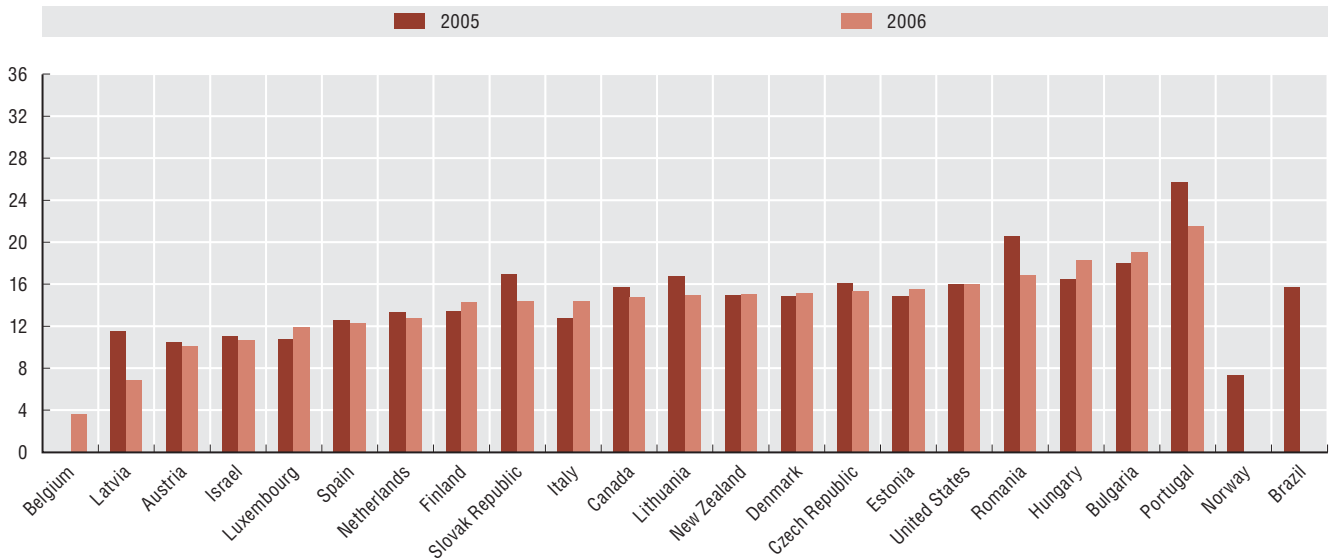
Scarpetta, S. et al. (2002), "The role of policy and institutions for productivity and firm dynamics: evidence from micro and industry data", *OECD Economic Department Working Papers*, No. 329.

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

Information on data for Israel:

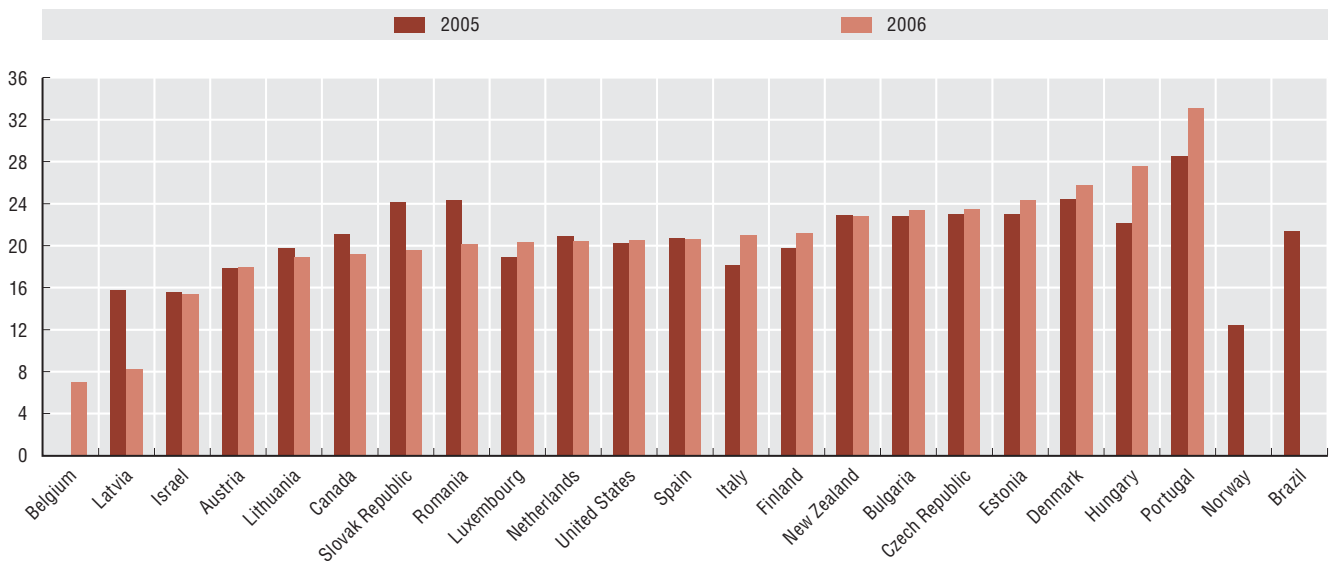
<http://dx.doi.org/10.1787/888932315602>

Figure 7.1. Employer enterprise churn rate in 2006 and 2005 in manufacturing

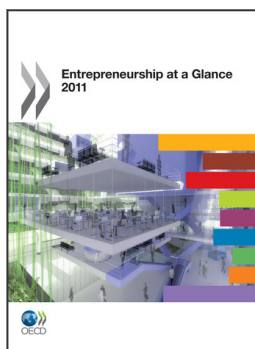


StatLink <http://dx.doi.org/10.1787/888932384591>

Figure 7.2. Employer enterprise churn rate in 2006 and 2005 in services



StatLink <http://dx.doi.org/10.1787/888932384610>



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