

Churn rate of 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. In 2013, only a few countries showed much lower (Belgium) or much higher (Hungary) churn rates.
- Between 2008 and 2013, churn rates decreased in virtually all countries and across all sectors, reflecting in particular declining birth rates.
- The churn rates of employer enterprises are higher in services and construction than in industry, suggesting more significant business dynamics in these sectors.

Relevance

The churn rate, i.e. the sum of birth and death rates 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 business dynamism to aggregate productivity growth.

Definitions

The *employer enterprise churn rate* is calculated as the sum of the employer enterprise birth rate and the employer enterprise death rate. Employer enterprise birth and death data used in the compilation of the employer enterprise churn rate follow the definitions recommended by the *Eurostat-OECD Manual on Business Demography Statistics* (2008).

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.

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

Comparability

As indicated 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 for the United States as well as 2006-2007 data for European countries are compiled according to ISIC Rev. 3. Data for Denmark, Estonia, Finland, the Netherlands and Portugal exhibit a break in the series in 2013.

For Australia, Korea and Mexico, enterprise births and deaths and indicators derived from them do not take into account the transition of an enterprise with zero employees to an enterprise with one or more employees or vice versa, i.e. the transition of a non-employer enterprise to an employer enterprise is not considered as an "employer enterprise birth", and the transition of an employer enterprise to 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

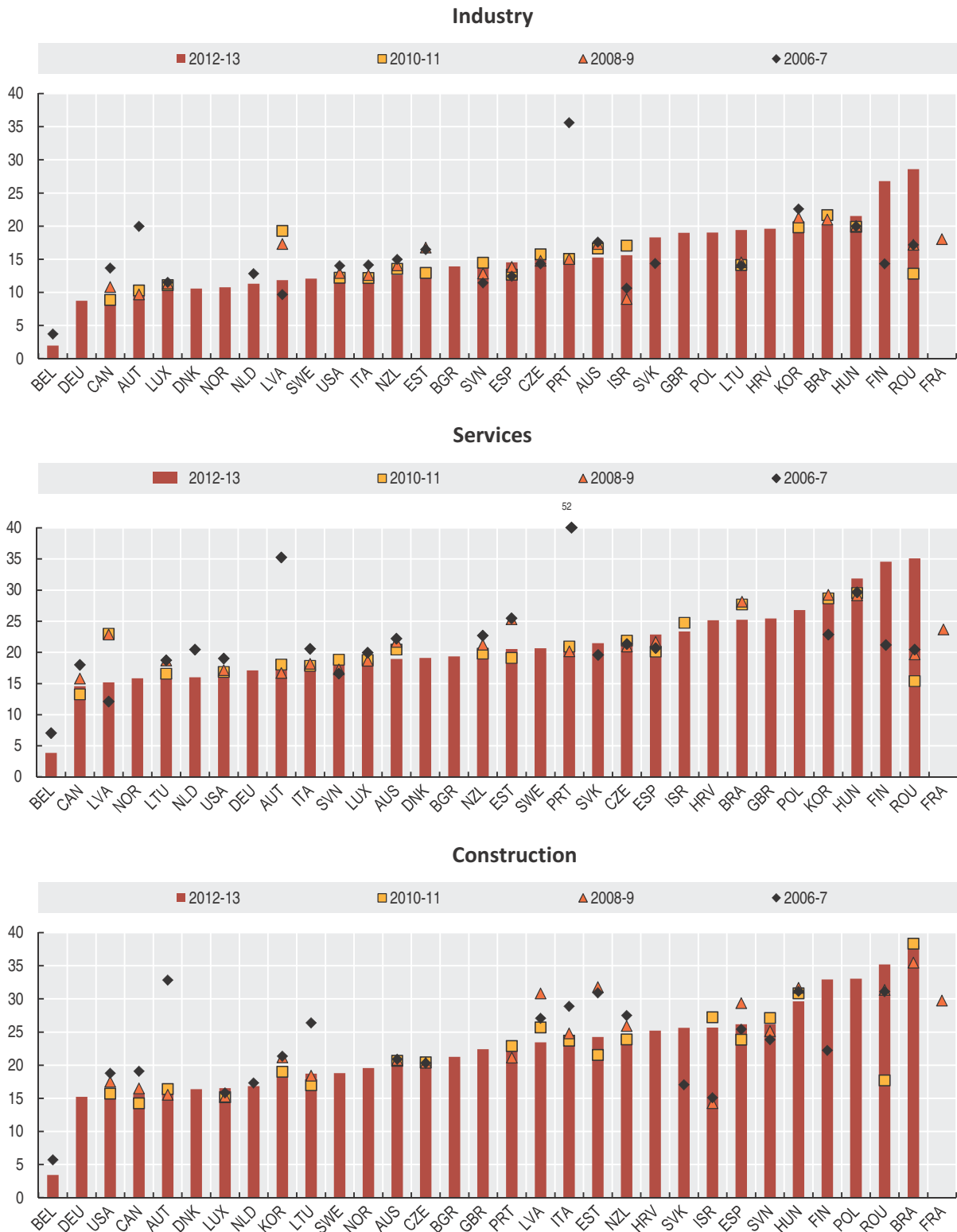
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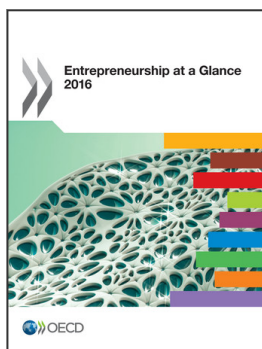
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Figure 4.11. **Employer enterprise churn rates, by sector**
Sum of employer enterprise births and deaths as percentage of total employer enterprises



StatLink <http://dx.doi.org/10.1787/888933404082>



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