

## Death rate of employer enterprises

### Key facts

- The evolution of the death rate of employer enterprises over time tends to follow that of birth rates. Death rates decreased in several countries between 2007 and 2010, reflecting the parallel decline in birth rates, while, like birth rates, they picked-up in more recent years.
- In all countries, the death rates of employer enterprises in the construction and services sectors are consistently higher than the corresponding rates in industry.
- Very small firms, with one to four employees, have the highest death rates.

### Relevance

The death of enterprises is an integral part of the phenomenon of entrepreneurship. Knowing the percentage of firms that die in a given year and comparing it over time and across countries helps the understanding, for example, of the process of “creative destruction” and the impact of economic cycles on entrepreneurship.

### 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 additional complication in this regard relates to changes in thresholds over time. Monetary based thresholds change over time in response to factors such as inflation and fiscal policy, both of which can be expected to affect comparisons of death rates across countries and over time. The use of the one-employee thresholds improves comparability, as it excludes very small units, which are the most subject to threshold variations.

The computation of enterprise deaths requires an additional time lag compared to data on enterprise births; this is due to the process of confirming the event: it has to be checked that the enterprise has not been reactivated (or had no employees) in the two years following its death.

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 deaths and indicators derived from them do not take into account the transition of enterprises from one or more employees to zero employees status, i.e. the transition of an employer firm to the status of non-employer enterprise is not considered as an “employer enterprise death”. For Korea, data include non-employer enterprises.

### 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>.

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

OECD/Eurostat (2008), *Eurostat-OECD Manual on Business Demography Statistics*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264041882-en>.

### Definitions

An employer enterprise death occurs either at the death of an enterprise with at least one employee in the year of death or when an enterprise shrinks to below the threshold of one employee for at least two years.

Deaths do not include exits from the population due to mergers, take-overs, break-ups and restructuring of a set of enterprises. They also exclude exits from a sub-population resulting only from a change of activity.

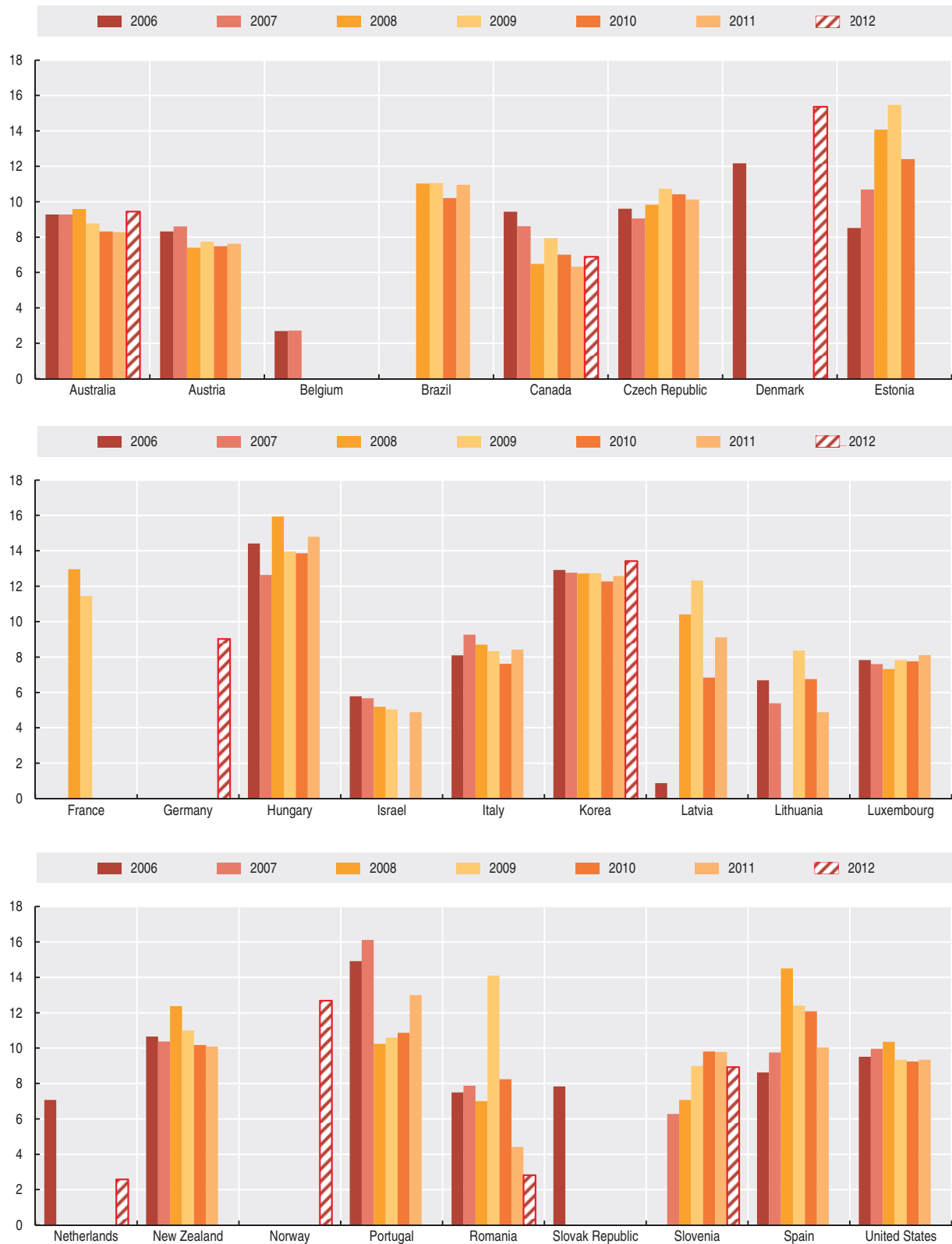
The employer enterprise death rate corresponds to the number of deaths of employer enterprises as a percentage of the population of active enterprises with at least one employee.

For the definition of “Total business economy”, see Reader’s guide.

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

Figure 3.4. **Employer enterprise death rate, total business economy**

Percentage




StatLink <http://dx.doi.org/10.1787/888933230697>

### 3. ENTERPRISE BIRTH, DEATH AND SURVIVAL

#### Death rate of employer enterprises

Figure 3.5. **Employer enterprise death rates by main sector**  
Percentage, 2012, or latest available year



StatLink  <http://dx.doi.org/10.1787/888933230700>

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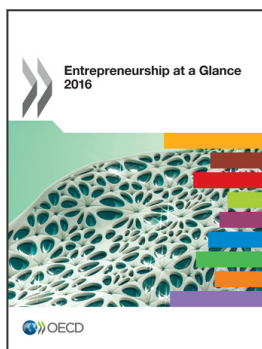
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Figure 3.6. **Employer enterprise death rate by size, main sectors**

Percentage, 2012, or latest available year



StatLink <http://dx.doi.org/10.1787/888933230719>



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