

## Death rate of employer enterprises

### Key facts

- In all countries, the death rates of employer enterprises in the services sector are consistently higher than the corresponding rates in the manufacturing sector.
- In several countries, the death rate of employer enterprises increased in 2007 at the beginning of the global crisis and continued increasing in 2008 and 2009.
- 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 is of high interest to policy makers to understand, for example, the process of creative destruction and the impact of economic cycles.

### 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 economy”, see Reader’s Guide.

### Comparability

Compared to data on births of employer enterprises, there is an additional time lag in data collection of enterprise deaths linked 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. Hence, information on death rates presented in this publication refers mainly to 2009, and not to 2010 as for all other indicators.

“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 threshold improves comparability, as it excludes very small units, which are the most subject to threshold variations.

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.

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 a non-employer enterprise is not considered as an “employer enterprise death”.

### Source/Online database

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

### For further reading

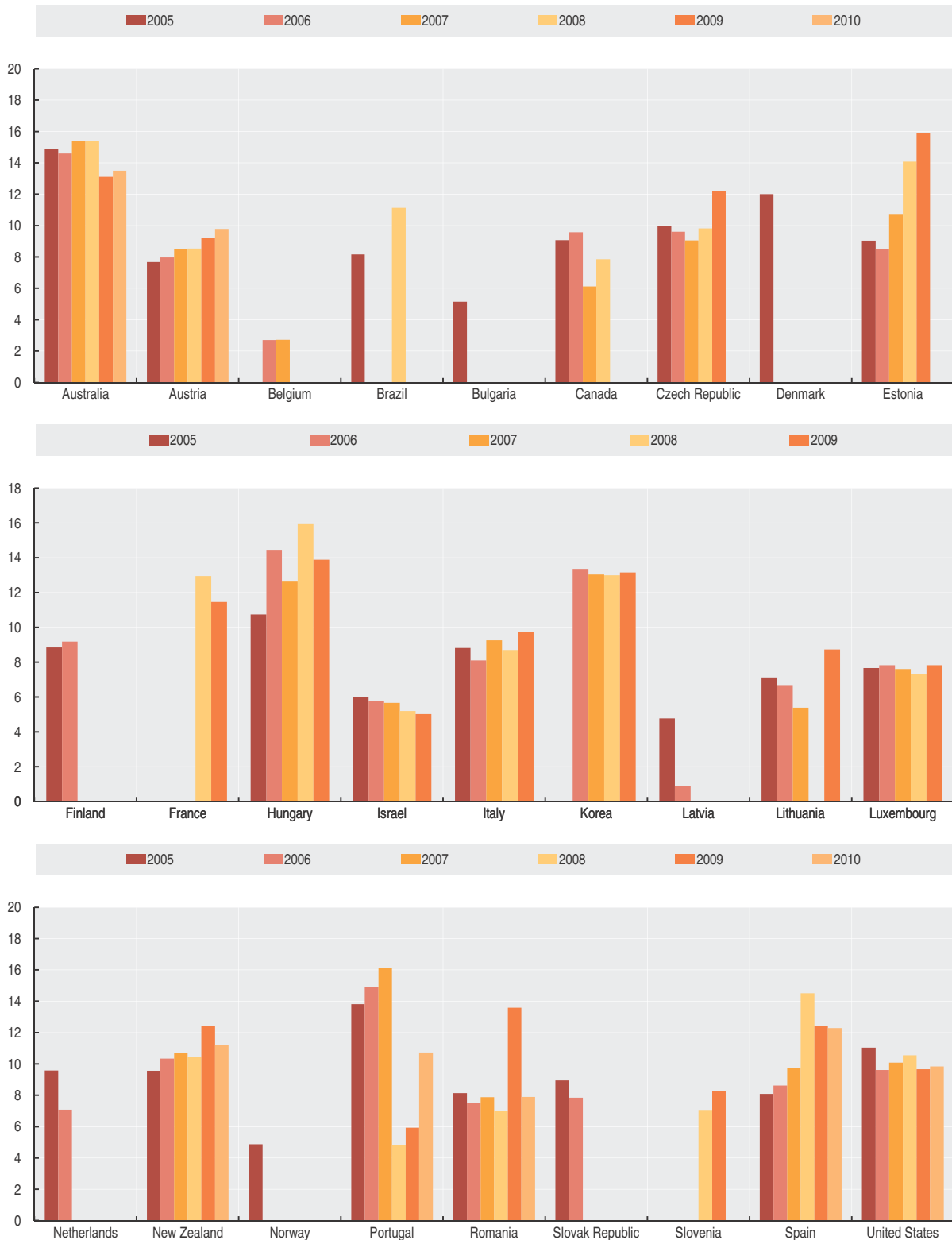
Ahmad, N. (2006), “A Proposed Framework For Business Demography Statistics”, OECD Statistics Working Papers, 2006/3, OECD Publishing, Paris, <http://dx.doi.org/10.1787/145777872685>.


Eurostat/OECD (2007), Eurostat-OECD Manual on Business Demography Statistics, OECD Publishing, [www.oecd.org/std/39974460.pdf](http://www.oecd.org/std/39974460.pdf).

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

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

Figure 3.9. **Employer enterprise death rate, total economy**  
Percentage

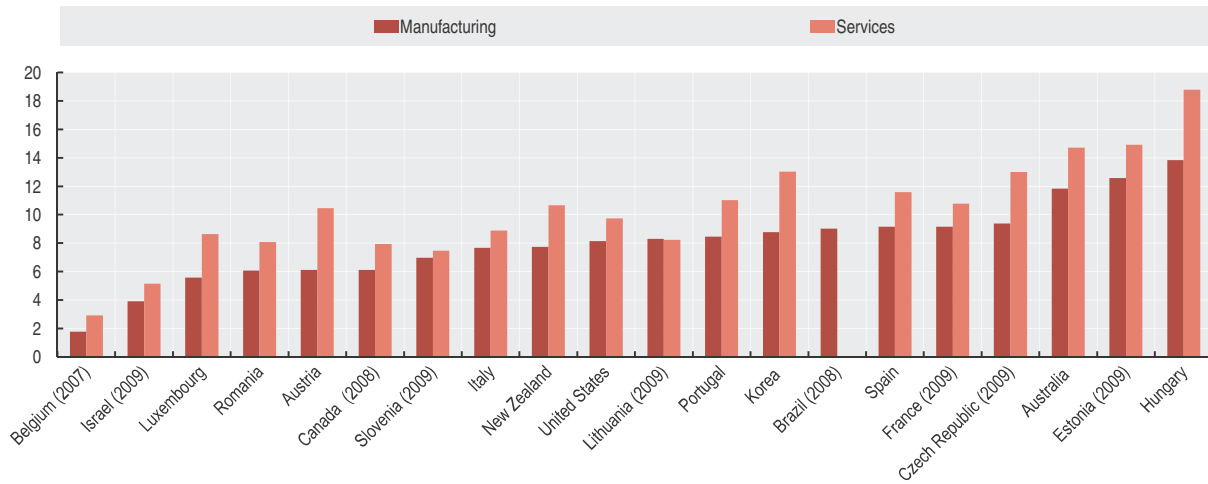


StatLink  <http://dx.doi.org/10.1787/888932828583>

### 3. ENTERPRISE BIRTH, DEATH AND SURVIVAL

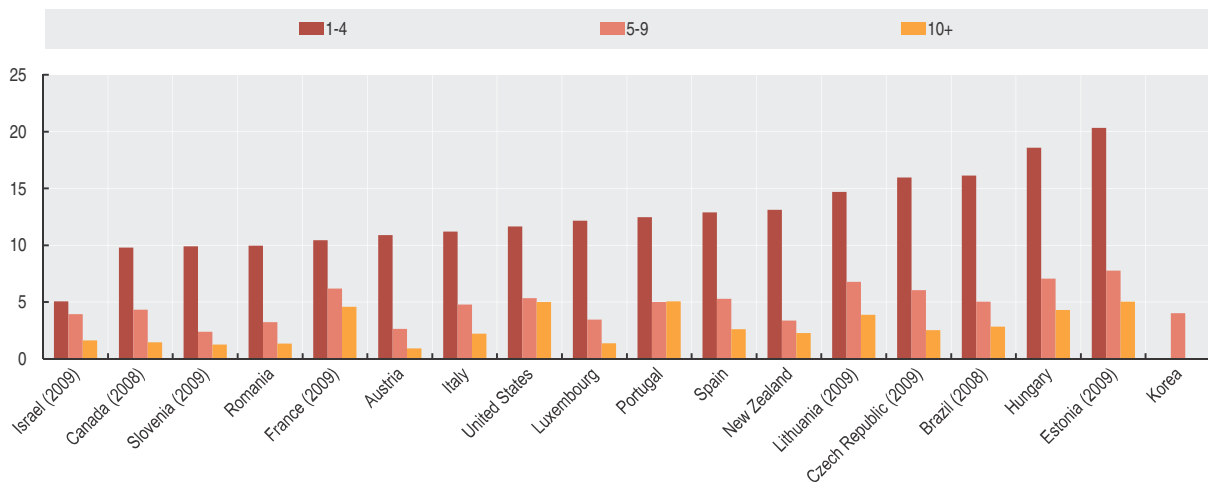
#### Death rate of employer enterprises

Figure 3.10. **Employer enterprise death rates by sector**  
Percentage, 2010 or latest available year



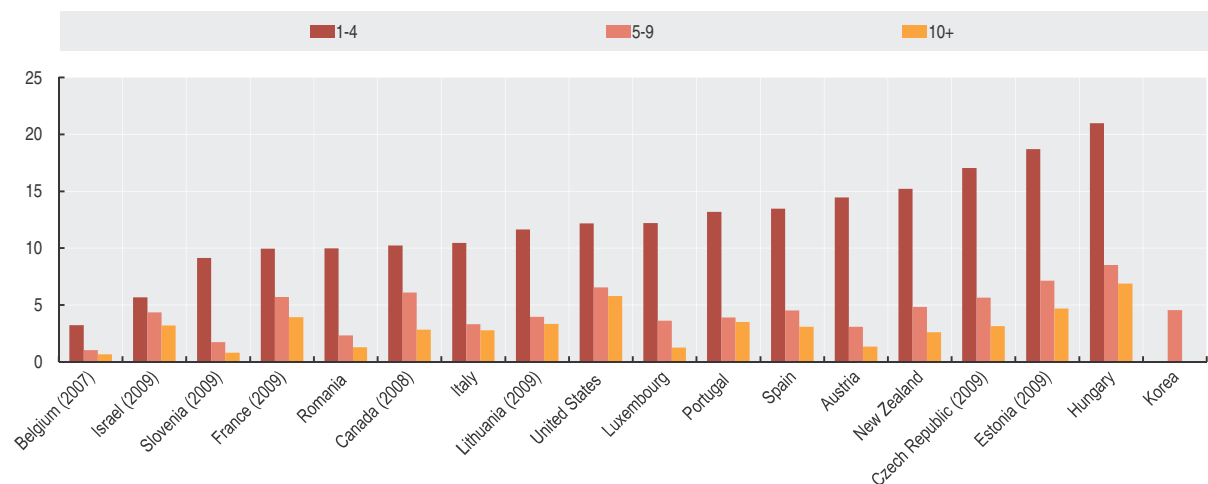
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Figure 3.11. **Employer enterprise death rate by size class, manufacturing**  
Percentage, 2010 or latest available year



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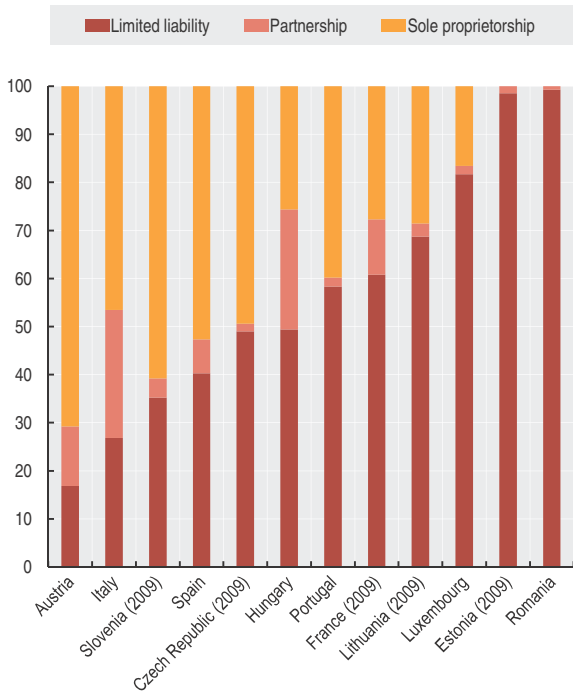
Figure 3.12. **Employer enterprise death rate by size class, services**  
Percentage, 2010 or latest available year



StatLink <http://dx.doi.org/10.1787/888932828640>

Figure 3.13. **Employer enterprise deaths by legal form, manufacturing**

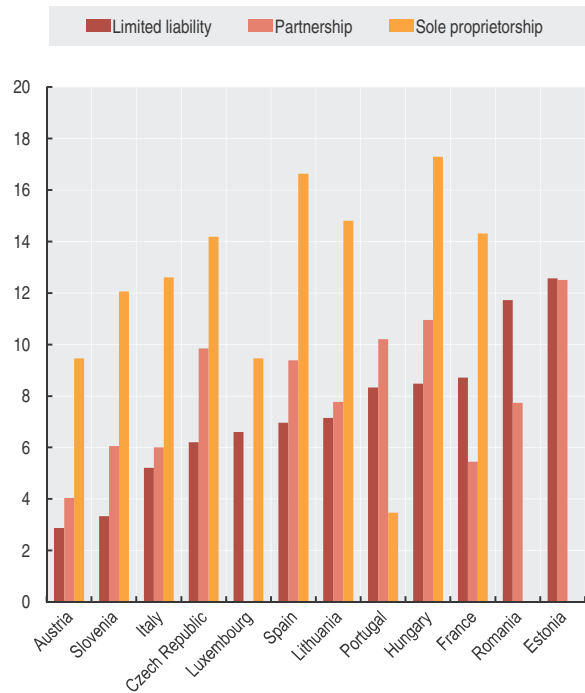
Percentage, 2010 or latest available year



StatLink <http://dx.doi.org/10.1787/888932828659>

Figure 3.14. **Employer enterprise death rates by legal form, manufacturing**

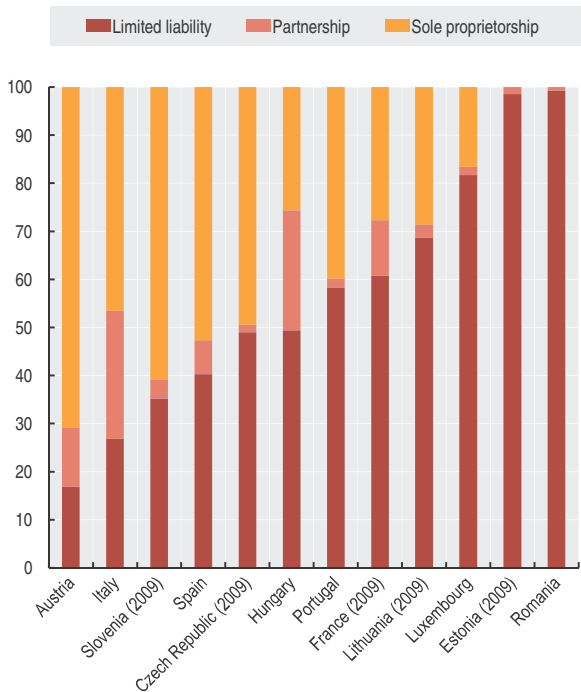
Percentage, 2009



StatLink <http://dx.doi.org/10.1787/888932828678>

Figure 3.15. **Employer enterprise deaths by legal form, services**

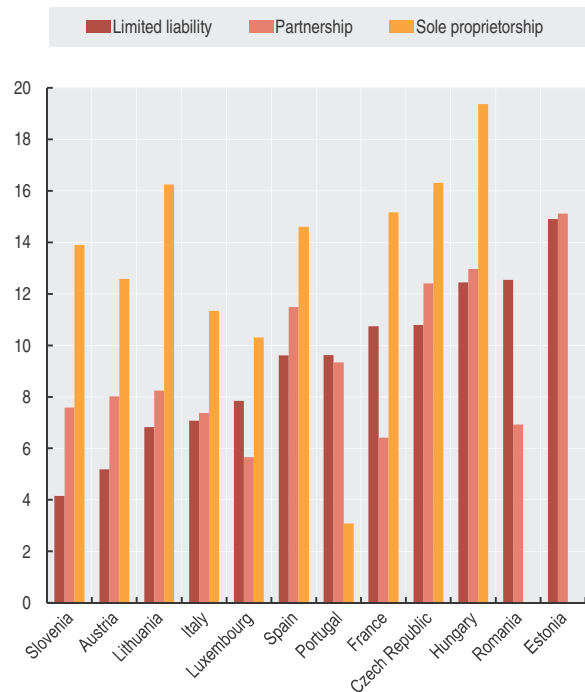
Percentage, 2010 or latest available year



StatLink <http://dx.doi.org/10.1787/888932828697>

Figure 3.16. **Employer enterprise death rates by legal form, services**

Percentage, 2009



StatLink <http://dx.doi.org/10.1787/888932828716>



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