

Death rate of employer enterprises

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 impact of structural and cyclical effects on the disappearance of enterprises.

Definitions

An employer enterprise death occurs either as the death of an enterprise with at least one employee in the year of death or the move of an enterprise 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.

Figure 4.2 shows for each country the deviations from the country's average over the period 2005-09 (or latest available year).

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 confirmation of the event: it has to be checked that the enterprise has not been reactivated (or had no employees) in the following two years. Hence, information on death rates presented in this publication refer mainly to 2006, and not to 2007 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 business 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 *e.g.* 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.

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

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 already in 2007 at the beginning of the global crisis and in 2008. Very small firms, with one to four employees, have the highest death rates compared to firms in the other size classes. With few exceptions, trade and other business services are the sectors where the death rates are higher.

Source/Online database

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

For further reading

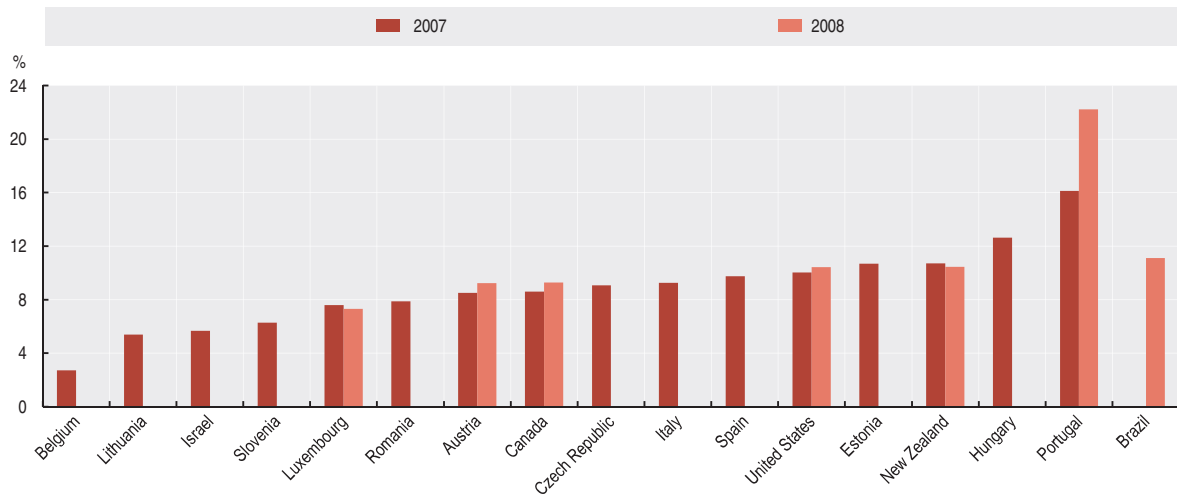
Ahmad, N. (2006), "A Proposed Framework For business Demography Statistics", OECD Statistics Working Papers, 2006/3, OECD Publishing, Paris, <http://dx.doi.org/10.1787/1457778726853>.

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

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

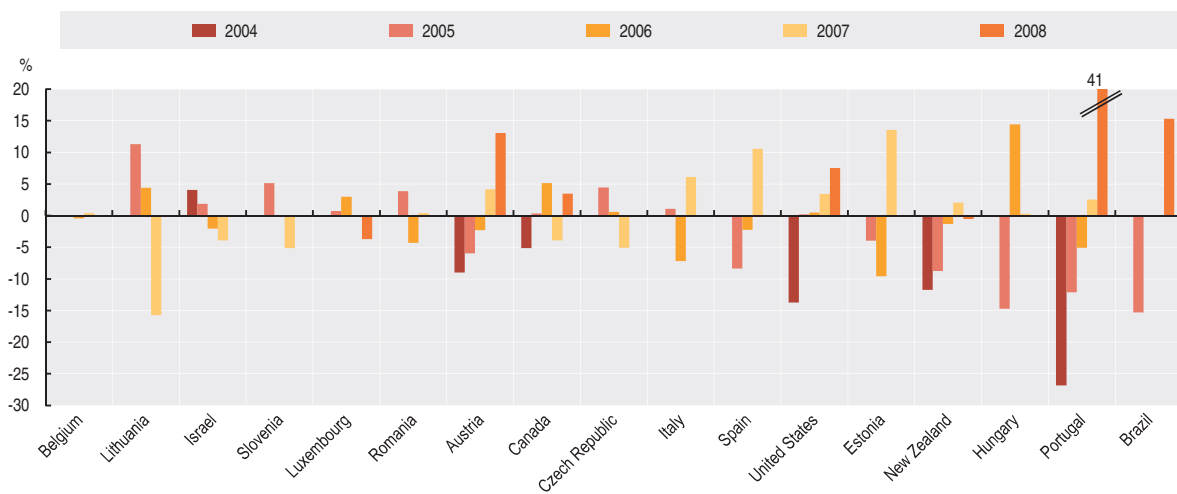
Information on data for Israel: <http://dx.doi.org/10.1787/888932315602>.

Figure 4.7 **Employer enterprise death rate, total economy**
Percentage



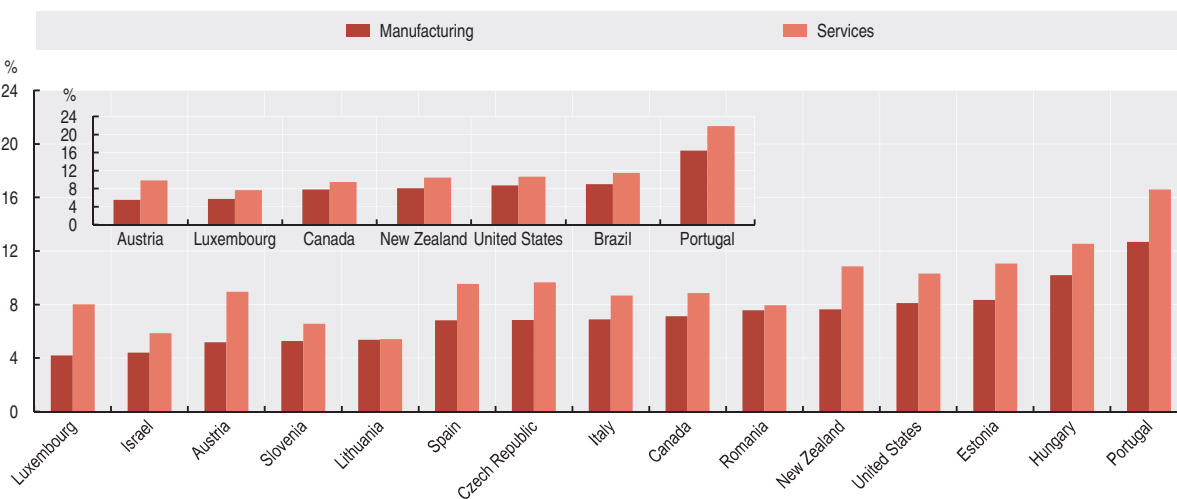
StatLink <http://dx.doi.org/10.1787/888932597220>

Figure 4.8 **Trends in employer enterprise death rate**
Deviation from country average, percentage



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Figure 4.9 **Employer enterprise death rates by sector, 2007 (2008 in insert)**
Percentage

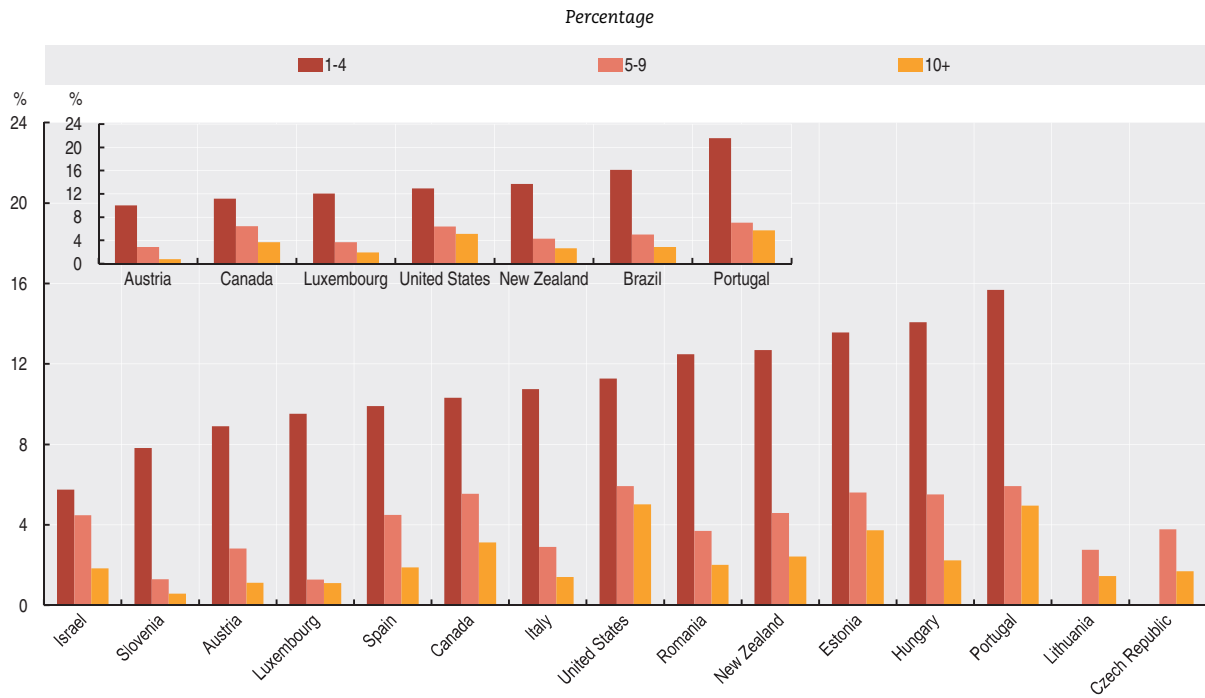


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4. ENTERPRISE BIRTH, DEATH AND SURVIVAL

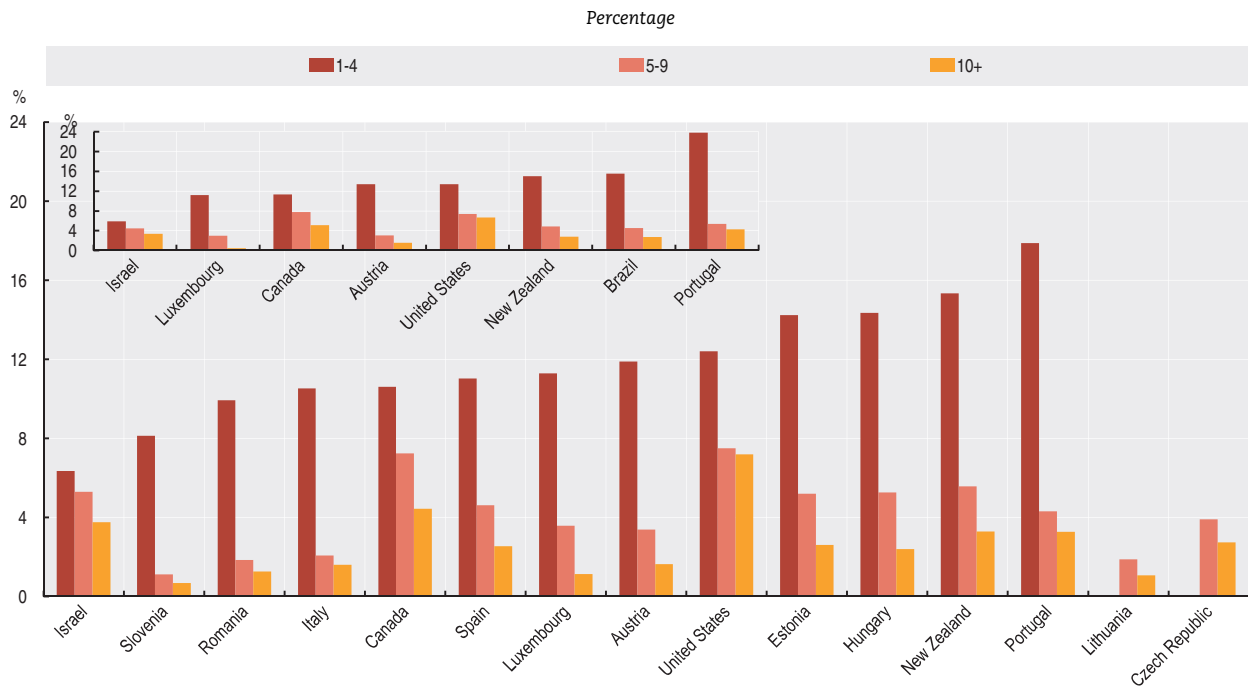
Death rate of employer enterprises

Figure 4.10 Employer enterprise death rate in manufacturing by size class, 2007 (2008 in insert)



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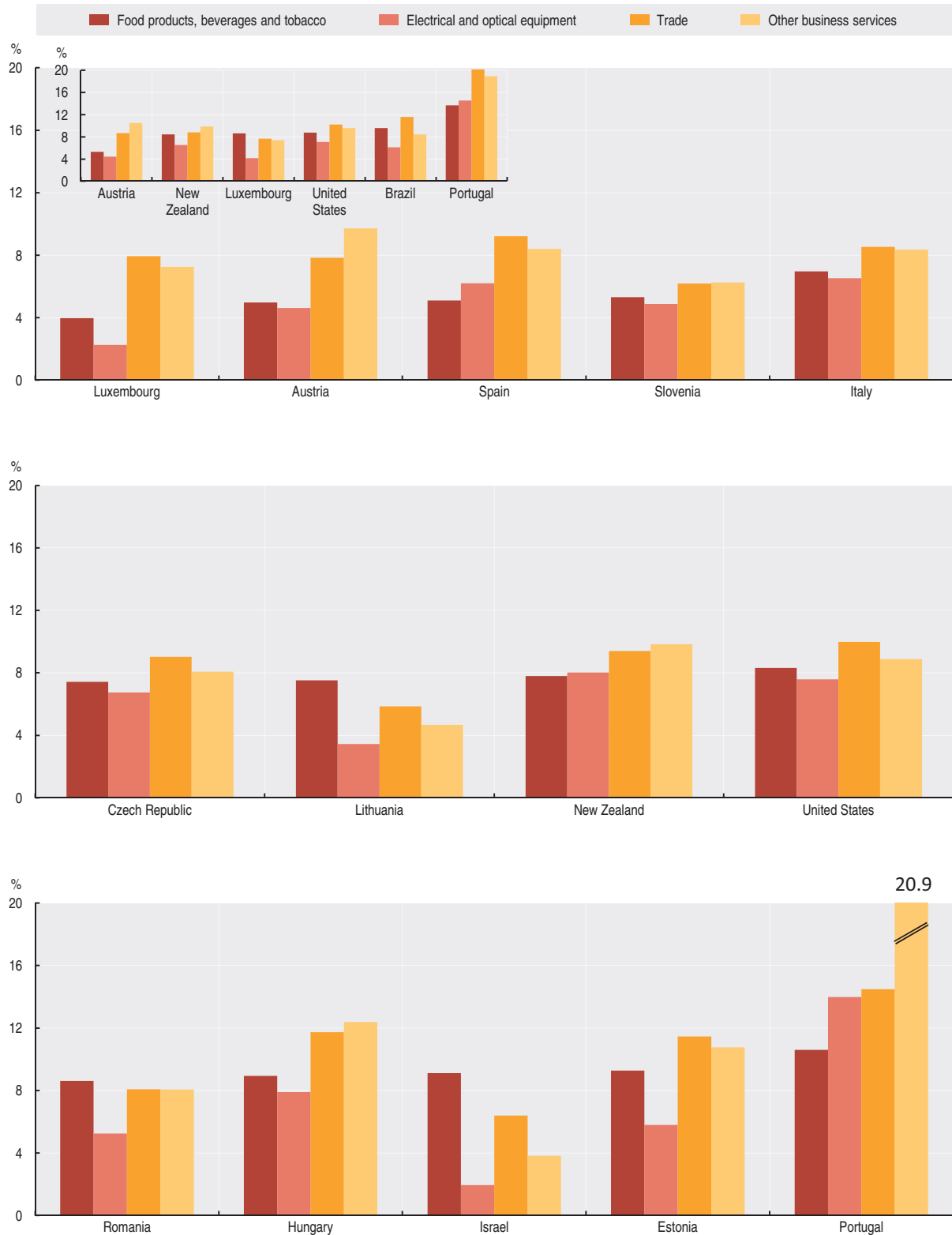
Figure 4.11 Employer enterprise death rate in services by size class, 2007 (2008 in insert)



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Figure 4.12 **Employer enterprise death rate in various industries, 2007 (2008 in insert)**

Percentage



StatLink <http://dx.doi.org/10.1787/888932597315>



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