

## 6. 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.

### Definition

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.

### 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 thresh-

olds 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 improve 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.

### 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. They are stable over time, although it is worthwhile to note that the data presented cover the pre-crisis period, namely 2005-2007. Very small firms, with 1 to 4 employees, have the highest death rates compared to firms in the other size classes.

### 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”, Paris.  
<http://dx.doi.org/10.1787/9789264072886-en>

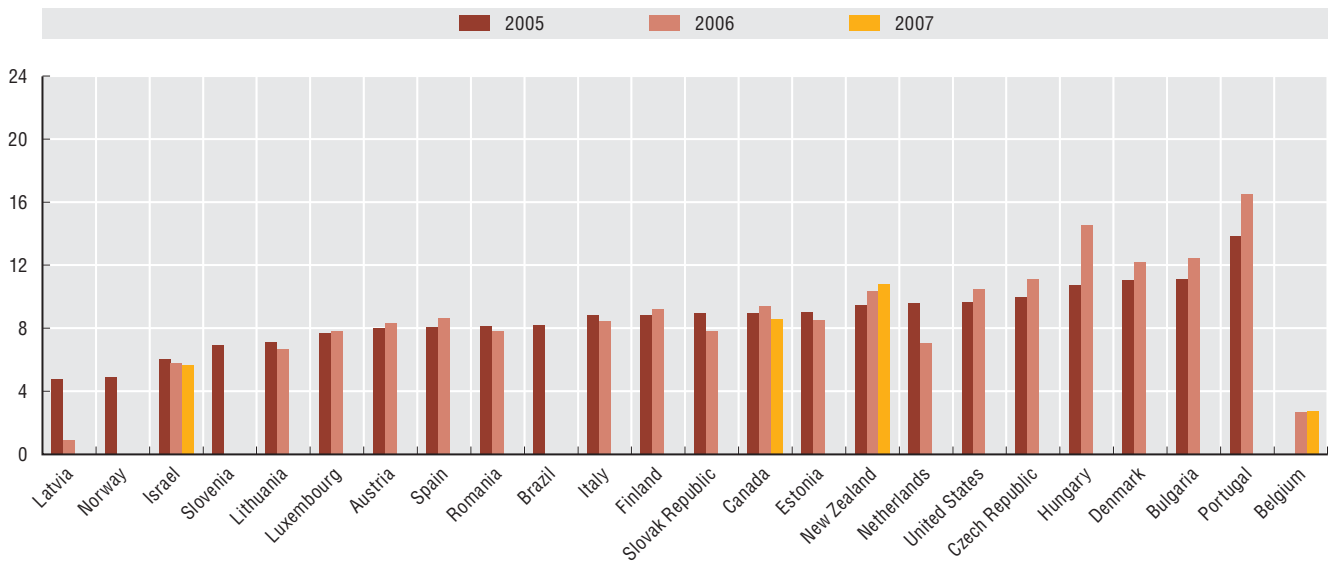
Eurostat/OECD (2007), *Eurostat-OECD Manual on Business Demography Statistics*, OECD, Paris.

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>

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

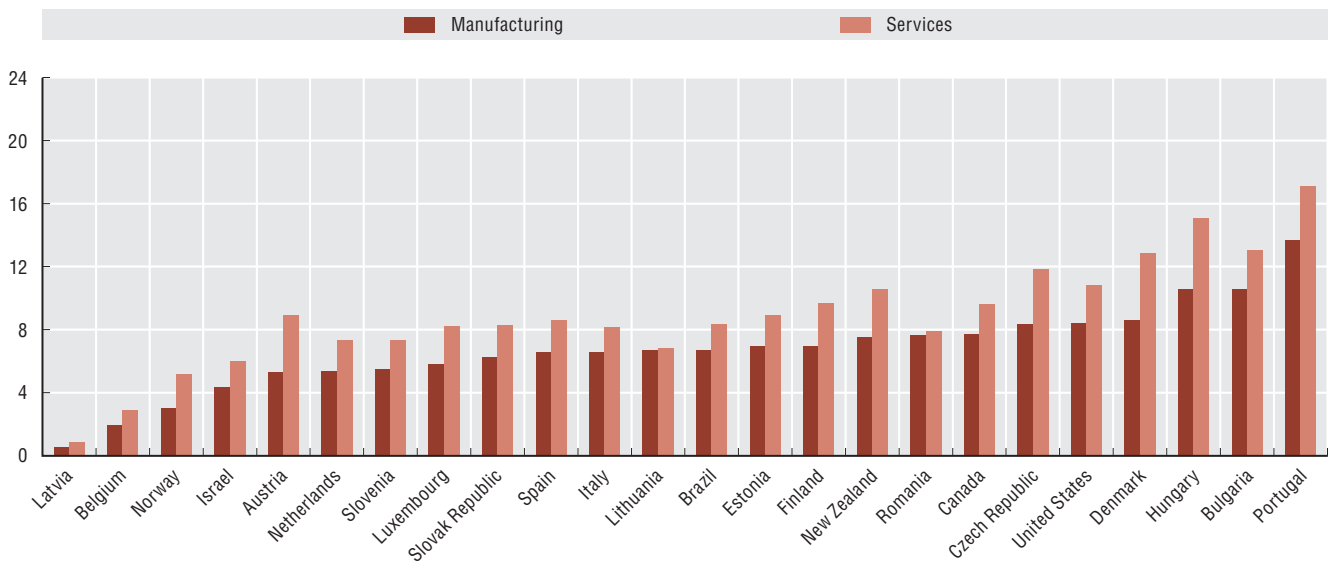
6. Death rate of employer enterprises

Figure 6.1. Employer enterprise death rates in all industries, 2005 to 2007



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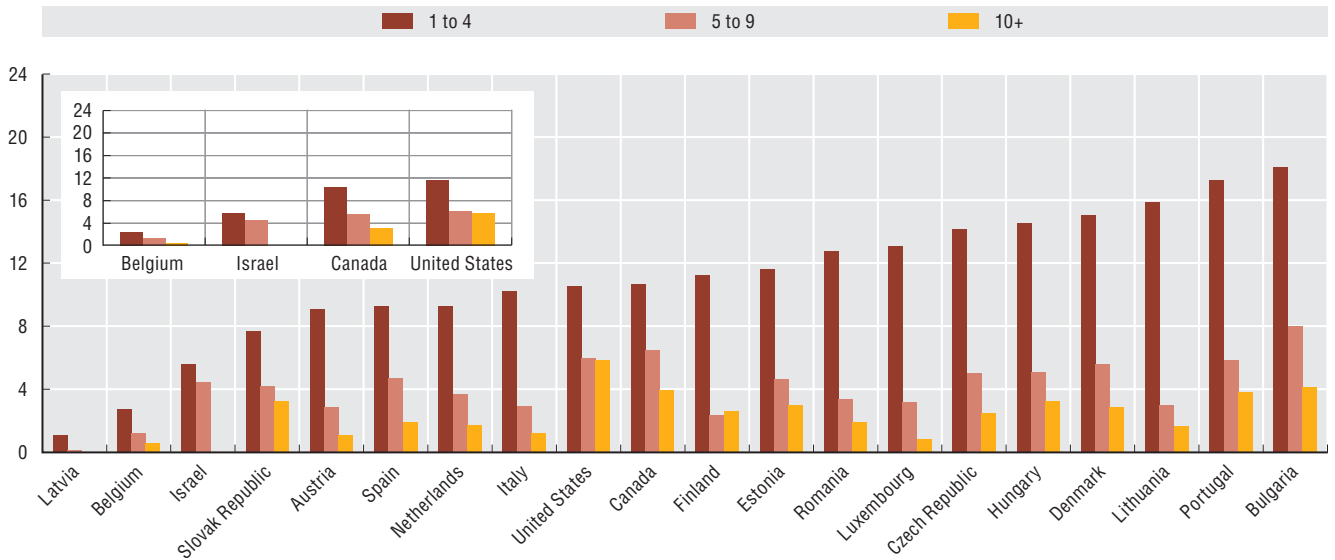
Figure 6.2. Employer enterprise death rates in manufacturing and services in 2006



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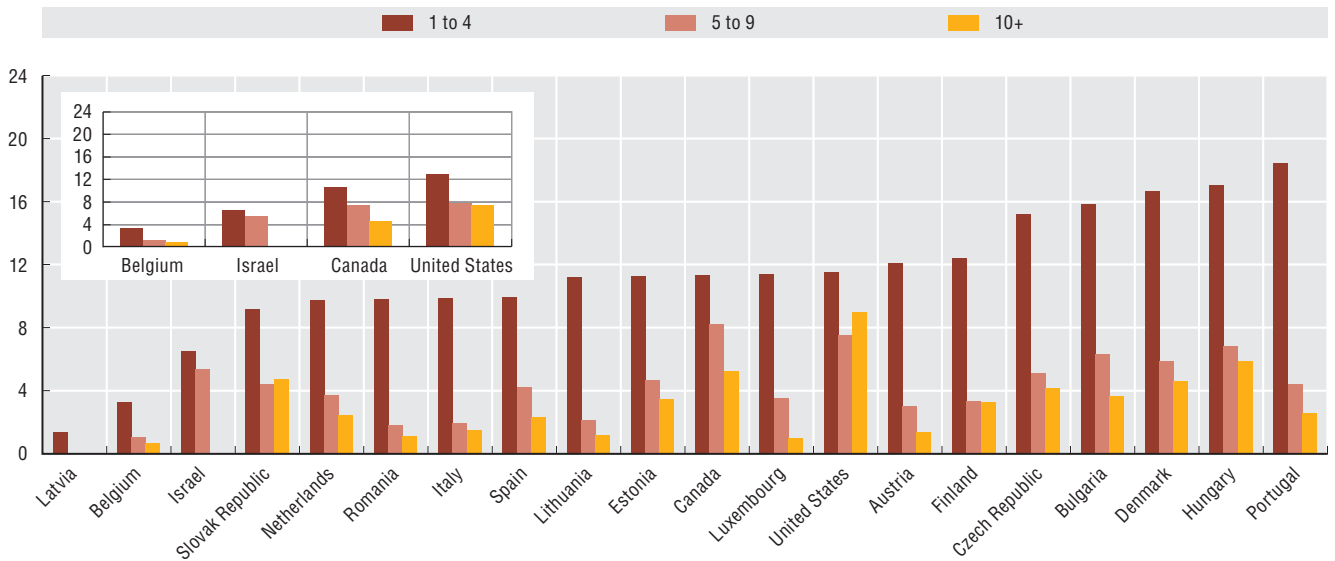
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Figure 6.3. Employer enterprise death rate in manufacturing by size class in 2006 (2007 in insert)



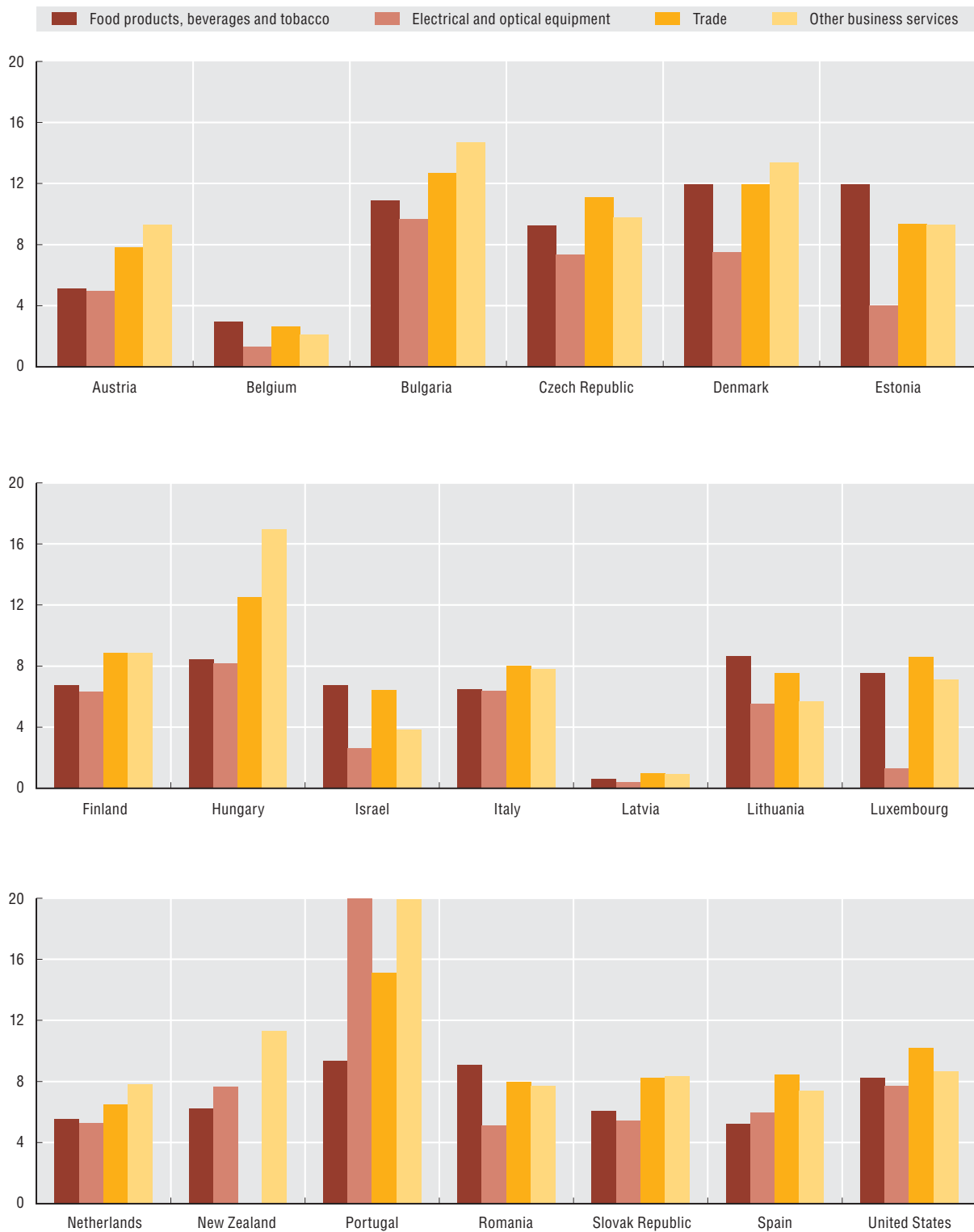
StatLink <http://dx.doi.org/10.1787/888932384534>

Figure 6.4. Employer enterprise death rate in services by size class in 2006 (2007 in insert)

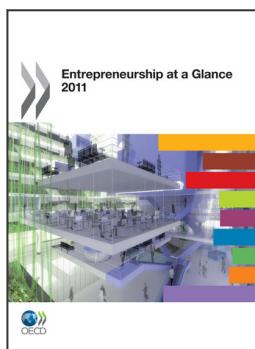


StatLink <http://dx.doi.org/10.1787/888932384553>

Figure 6.5. Employer enterprise death rates in various industries in 2006



StatLink <http://dx.doi.org/10.1787/888932384572>



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