

### Death rate of enterprises

#### Key facts

- Levels of deaths and births are generally of a similar magnitude within countries. However, in many countries post-crisis trends in death rates have remained broadly stable, while birth rates have trended downwards.
- Death rates are typically higher for non-employer enterprises than for employer enterprises, reflecting the often precarious nature of the former.
- 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. Monitoring the rate of exit of firms from the market, over time and across countries, helps the understanding 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

#### 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.

The *non-employer enterprise death rate* corresponds to the number of deaths of non-employer enterprises as a percentage of the population of active non-employer enterprises.

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

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 on the number of deaths for Denmark, Estonia, Finland and the Netherlands present a break in the series in 2013; for Portugal in 2011 and 2013; for Austria in 2007; and for Romania in 2009 and 2011. Data for the United States are compiled according to ISIC Rev. 3; also, in Figures 4.5 and 4.6, data for the period 2006-2007 are compiled according to ISIC Rev. 3 for European countries.

For Australia, Korea and Mexico, enterprise deaths and indicators derived from them do not take into account the transition of an enterprise with one or more employees to an enterprise with zero employees, i.e. 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>.

*Counts of Australian Businesses, including Entries and Exits*. 8165.0, <http://dx.doi.org/10.1787/sdbs-data-en>.

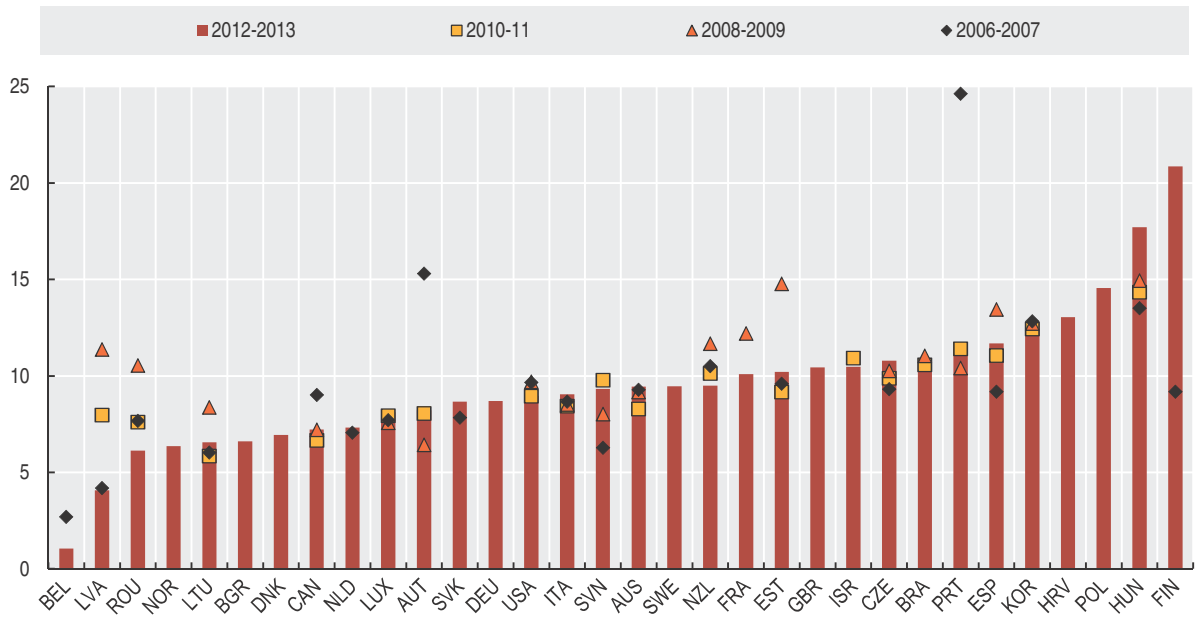
#### Further reading

Ahmad, N. (2006), “A Proposed Framework for Business Demography Statistics”, OECD *Statistics Working Papers*, No. 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>.

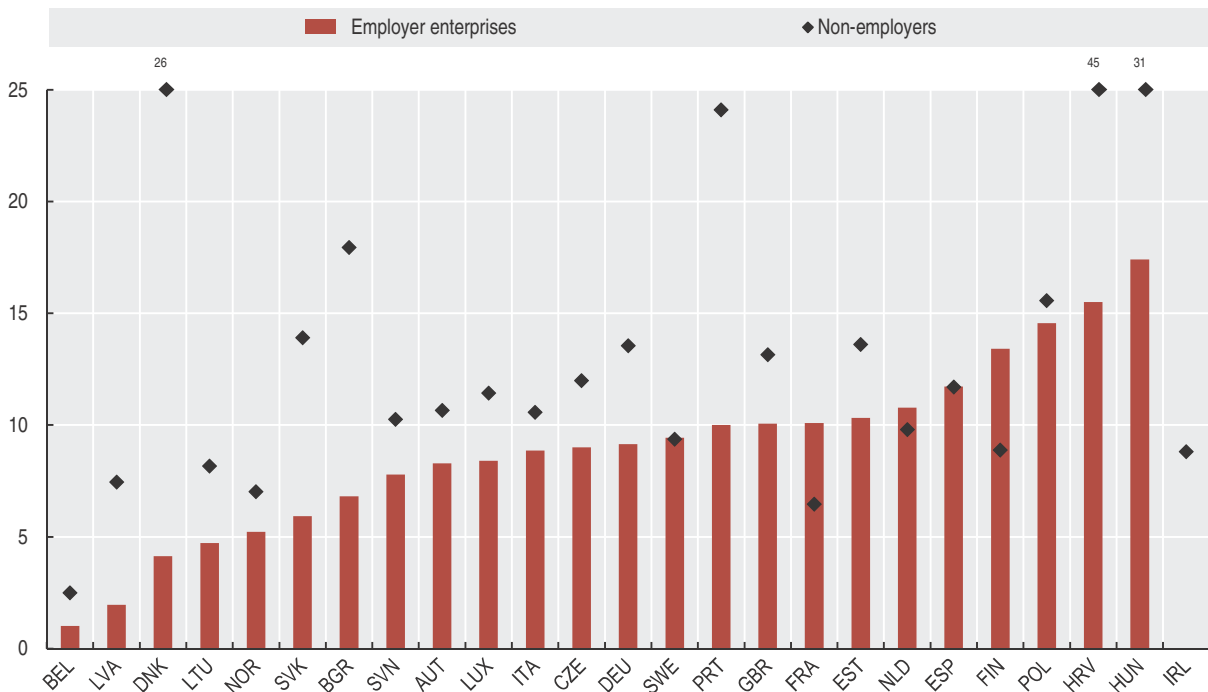
OECD/Eurostat (2008), *Eurostat-OECD Manual on Business Demography Statistics*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264041882-en>.

Figure 4.7. **Death rates of employer enterprises, total business economy**  
 Number of employer deaths as percentage of total employer enterprises



StatLink <http://dx.doi.org/10.1787/888933404043>

Figure 4.8. **Death rates of employer enterprises and non-employers, total business economy**  
 Number of enterprise deaths as percentage of total enterprises, by enterprise type, 2013 or latest available year

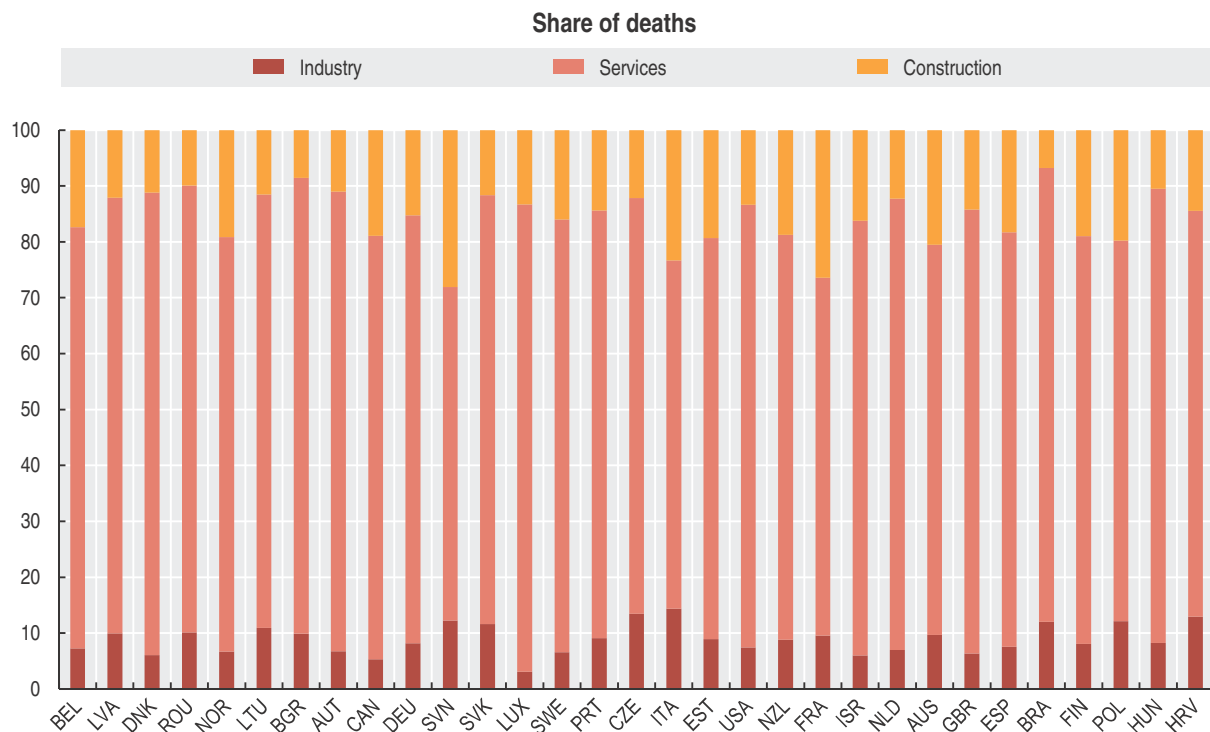
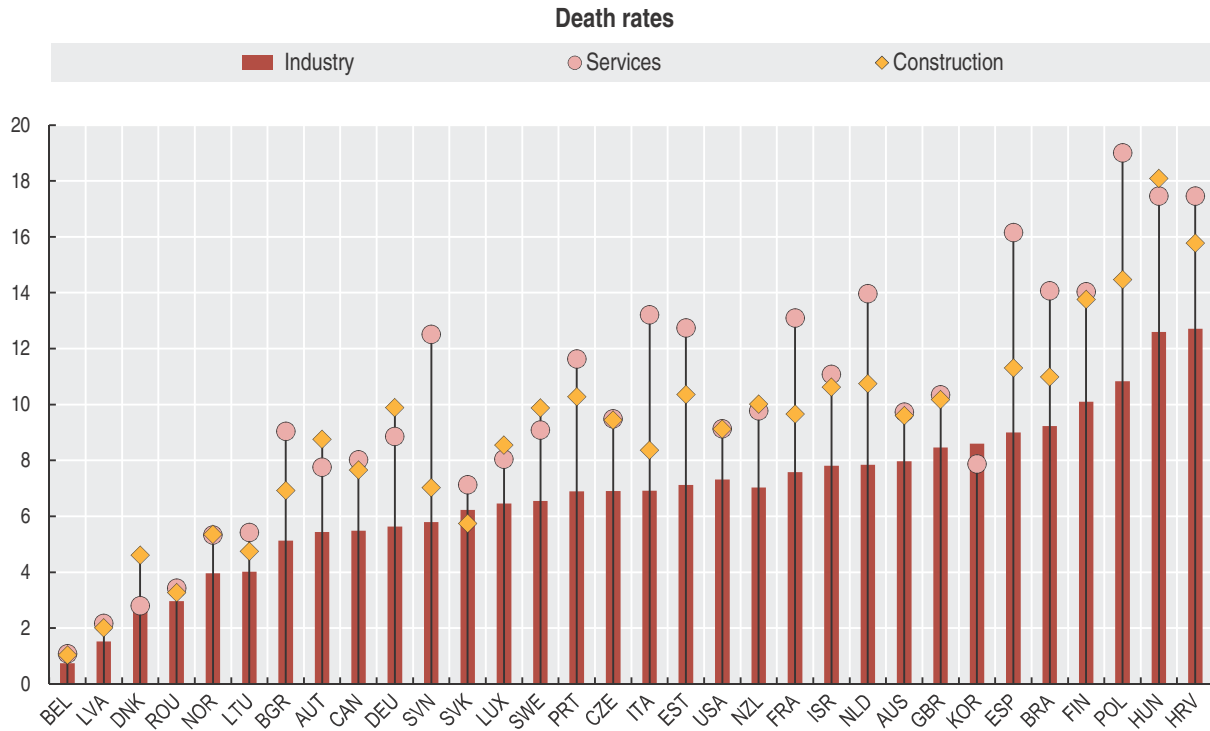


StatLink <http://dx.doi.org/10.1787/888933404050>

## 4. ENTERPRISE BIRTH, DEATH AND SURVIVAL

### Death rate of enterprises

Figure 4.9. **Employer enterprise deaths, by sector**  
Percentage, 2013, or latest available year

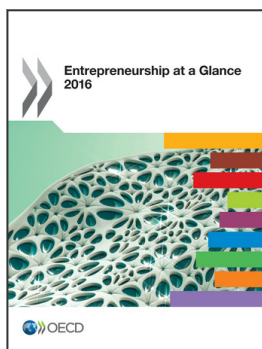


StatLink <http://dx.doi.org/10.1787/888933404066>

Figure 4.10. **Employer enterprise death rates, by size and sector**  
Percentage, 2013, or latest available year



StatLink <http://dx.doi.org/10.1787/888933404075>



**From:**  
**Entrepreneurship at a Glance 2016**

**Access the complete publication at:**  
[https://doi.org/10.1787/entrepreneur\\_aag-2016-en](https://doi.org/10.1787/entrepreneur_aag-2016-en)

**Please cite this chapter as:**

OECD (2016), "Death rate of enterprises", in *Entrepreneurship at a Glance 2016*, OECD Publishing, Paris.

DOI: [https://doi.org/10.1787/entrepreneur\\_aag-2016-18-en](https://doi.org/10.1787/entrepreneur_aag-2016-18-en)

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