

## 4. ENTERPRISE GROWTH AND EMPLOYMENT CREATION

### Employment creation and destruction by employer enterprise births and deaths

#### Key Facts

- There are important differences across countries in the extent to which the birth and death of employer enterprises affect the creation and destruction of jobs in the economy. In all countries however, the level of employment churning is quite stable over the years covered, and consistently higher in services than in the manufacturing sector; only in the Slovak Republic are significant variations of the level of employment churning observed. As expected, employment creation was generally lower in 2009 and 2010 compared to 2006.

#### Relevance

The observation of the employment created by enterprise births or destroyed by enterprise deaths provides an indication of how enterprise business demography contributes to overall employment changes in the economy. Many studies have shown the contribution that small and large firms make to net employment growth. Research in the United States has recently highlighted that the age of enterprises could be more relevant than their size in determining their eventual contribution to employment growth.

#### Definitions

The *employment creation by births* is measured as the employment share of employer enterprise births. It is calculated as the number of persons employed in the reference period  $t$  in employer enterprises newly born in  $t$  divided by the number of persons employed in  $t$  in the population of employer enterprises.

The *employment destruction by deaths* is measured as the employment share of employer enterprise deaths. It is calculated as the number of persons employed in the reference period  $t$  in exiting employer enterprises divided by the number of persons employed in  $t$  in the population of employer enterprises.

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

#### Comparability

Data presented refer to the whole population of employer enterprises.

Data for Austria, New Zealand and Slovenia are compiled according to ISIC Revision 4. For other countries data after 2007 are compiled in ISIC Revision 4 and data for 2007 and before are compiled in ISIC Revision 3.

#### 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>.

Bravo-Biosca, A., C. Criscuolo and C. Menon (2013), “What Drives the Dynamics of Business Growth?”, *OECD Science, Technology and Industry Policy Papers*, No. 1, OECD Publishing, <http://dx.doi.org/10.1787/5k486qtttq46-en>.

Eurostat/OECD (2007), *Eurostat-OECD Manual on Business Demography Statistics*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264072886-en>.

Haltiwanger, J., R.S. Jarmin and J. Miranda (2010), “Who creates jobs? Small vs. Large vs. Young”, *Discussion Papers*, US Census Bureau, [www.nber.org/papers/w16300.pdf?new\\_window=1](http://www.nber.org/papers/w16300.pdf?new_window=1).

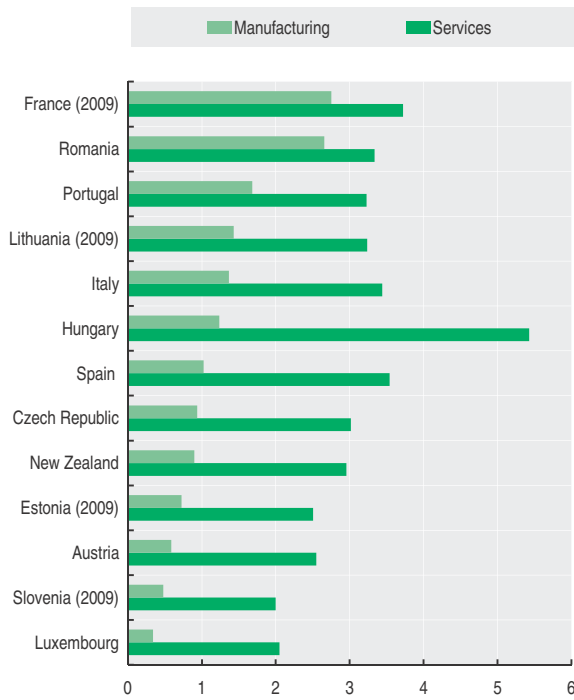
Information on data for Israel: <http://dx.doi.org/10.1787/888932315602>.

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### Employment creation and destruction by employer enterprise births and deaths

Figure 4.1. **Employment creation by employer enterprise births by sector**

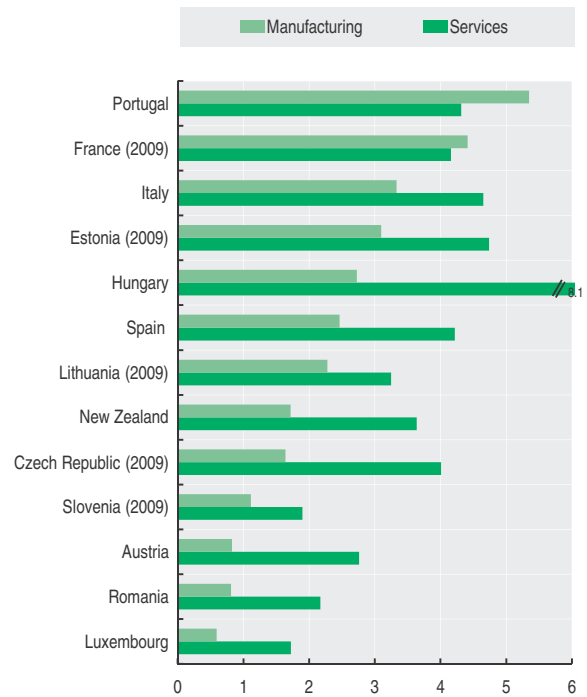
Percentage, 2010 or latest available year



StatLink <http://dx.doi.org/10.1787/888932828849>

Figure 4.2. **Employment destruction by employer enterprise deaths by sector**

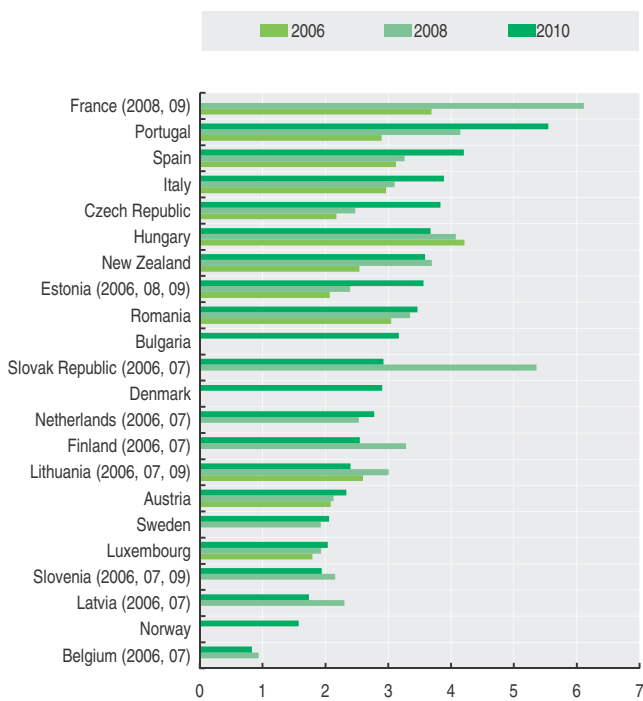
Percentage, 2010 or latest available year



StatLink <http://dx.doi.org/10.1787/888932828868>

Figure 4.3. **Employment creation by employer enterprise births, total economy**

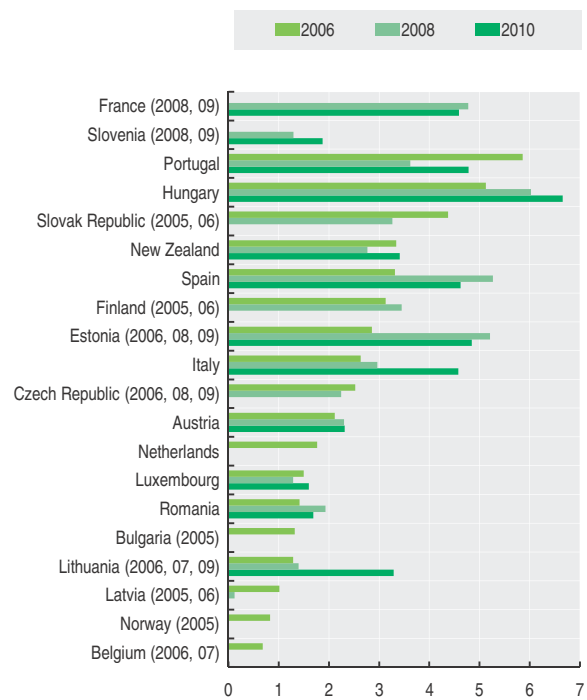
Percentage



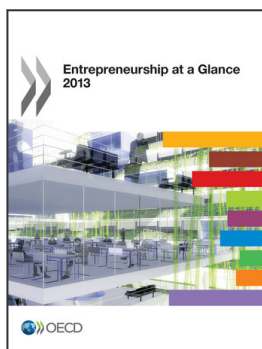
StatLink <http://dx.doi.org/10.1787/888932828887>

Figure 4.4. **Employment destruction by employer enterprise deaths, total economy**

Percentage



StatLink <http://dx.doi.org/10.1787/888932828906>



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