

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

The observation of the employment created by firm births or destroyed by firm deaths provides an indication of how enterprise business demography contributes to overall employment changes in the economy.

**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 stock of employer enterprises.

Symmetrically, 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 stock of employer enterprises.

While there exists much evidence in support of, alternatively, the dominance of small or larger firms in net employment growth, research in the United States brought to the attention the fact that the age of enterprises could be more relevant than their size in determining their contribution to employment growth. In particular, young enterprises seem to be responsible for a large proportion of employment churning, i.e. creation and destruction of jobs in the economy, because they are more volatile: start-ups have higher probabilities of exiting the market in their first years of life.

**Comparability**

Data refer to the whole population of employer enterprises.

**Highlights**

There are important differences across countries in the extent to which the birth and death of employer enterprises affect, respectively, the creation and destruction of jobs in the economy. In all countries, however, the level of employment churning is quite stable over the years, and constantly higher in services than in the manufacturing sector.

**Source/Online database**

OECD Structural and Demographic Business Statistics (SDBS) Database.

<http://dx.doi.org/10.1787/sdbs-data-en>

**For further reading**

Haltiwanger, J., R.S. Jarmin and J. Miranda (2010), "Do we create jobs? Small vs. Large vs. Young", *Discussion Papers*, US Census Bureau.

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.

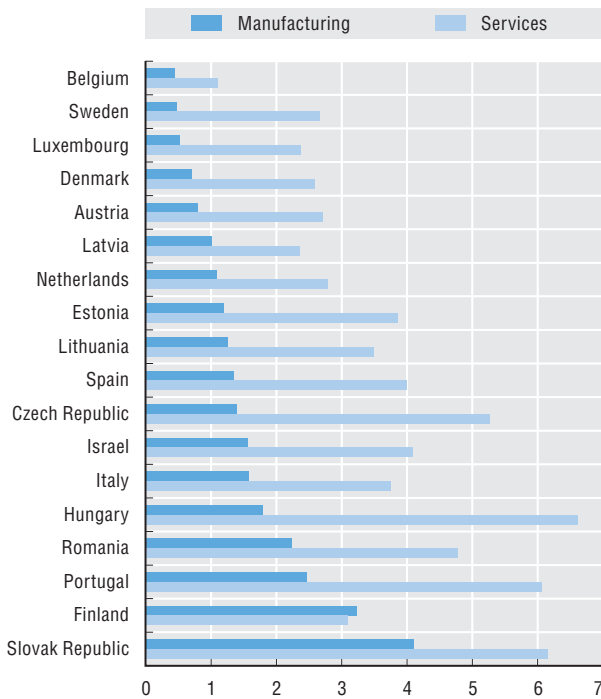
<http://dx.doi.org/10.1787/145777872685>

Information on data for Israel:

<http://dx.doi.org/10.1787/888932315602>

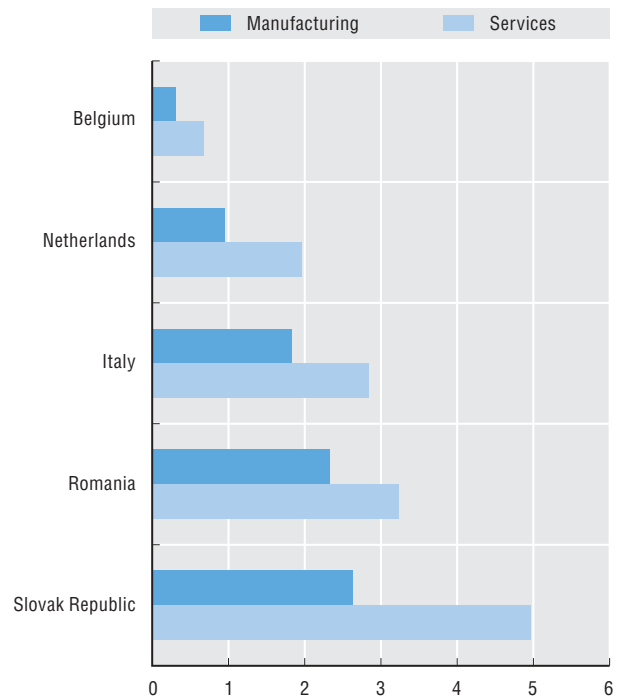
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Figure 9.1. Employment share of employer enterprise births in manufacturing and services in 2007



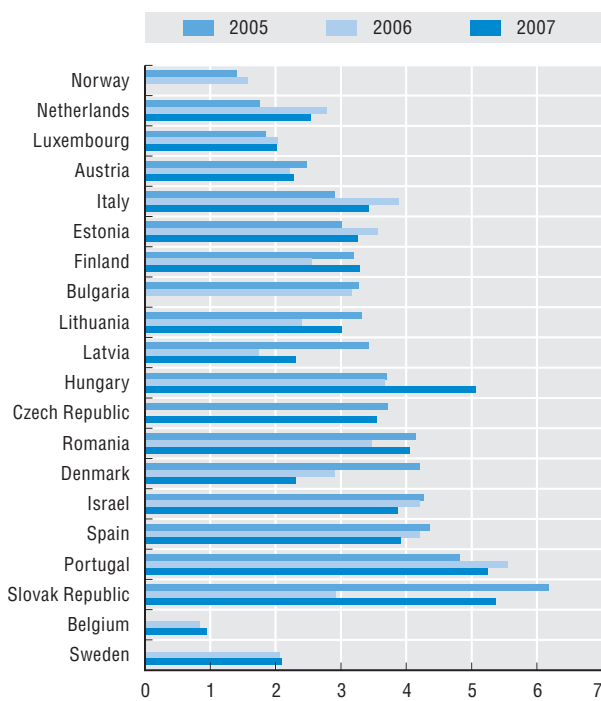
StatLink <http://dx.doi.org/10.1787/888932384686>

Figure 9.2. Employment share of employer enterprise deaths in manufacturing and services in 2007



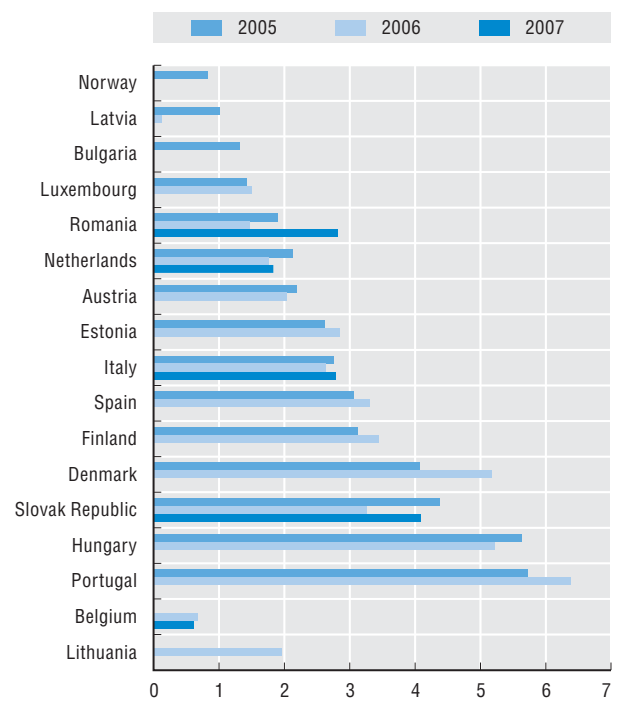
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Figure 9.3. Employment share of employer enterprise births in total economy

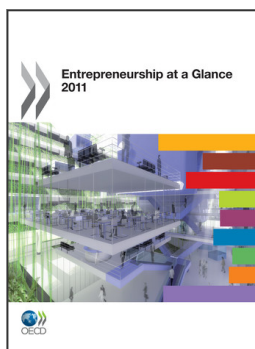


StatLink <http://dx.doi.org/10.1787/888932384724>

Figure 9.4. Employment share of employer enterprise deaths in total economy



StatLink <http://dx.doi.org/10.1787/888932384743>



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