

Employment creation and destruction by enterprise births and deaths

Key facts

- Rates of employment creation and destruction by births and deaths of employer enterprises vary widely across countries, though rarely exceeding 6% of total employment. In many countries, rates of employment creation and destruction are closely correlated.
- Between 2008 and 2013, the share of employment generated by newly created firms remained rather stable, despite the decline in birth rates and in the average size of enterprises at birth. At the same time, in most countries the employment destruction by enterprise deaths was lower in 2013 than in 2008, reflecting a decrease in business dynamism.
- In 2013, in a majority of countries, net employment creation from enterprise births and deaths was positive in services but negative in industry. At the total economy level, net creation was positive and above 1% of total employment in a few countries, including Denmark, Norway and the Slovak Republic.

Definitions

The employment creation by employer enterprises 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 born in t divided by the number of persons employed in t in the population of employer enterprises.

The employment destruction by employer enterprises 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.

Net employment creation due to employer enterprise births and deaths is calculated as a difference between the number of employees in employer enterprise births in the reference period (t) and the number of employees in employer enterprise deaths in the reference period (t).

Average employment in employer enterprise births (deaths) is the number of persons employed by employer enterprise at birth (death) in t divided by the number of employer enterprise births (deaths) in t .

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

- Average employment in newly born employer enterprises typically ranges between two and three employees. The size of new employer enterprises is significantly higher in the United States (around seven employees) and in Brazil and the Netherlands (five employees). The average number of employees in enterprise births and deaths is generally higher in industry than in other sectors, partly reflecting economy of scale factors.

Relevance

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, and in particular the important contribution to employment growth made by start-ups.

Comparability

Data presented refer to the whole population of employer enterprises. For Israel, statistics on employment in employer enterprise births and deaths refer to the number of employees and not to the persons employed.

Data for the United States are compiled according to ISIC Rev. 3. Data for Denmark, Estonia, Finland, the Netherlands and Portugal exhibit a break in the series in 2013.

Source

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

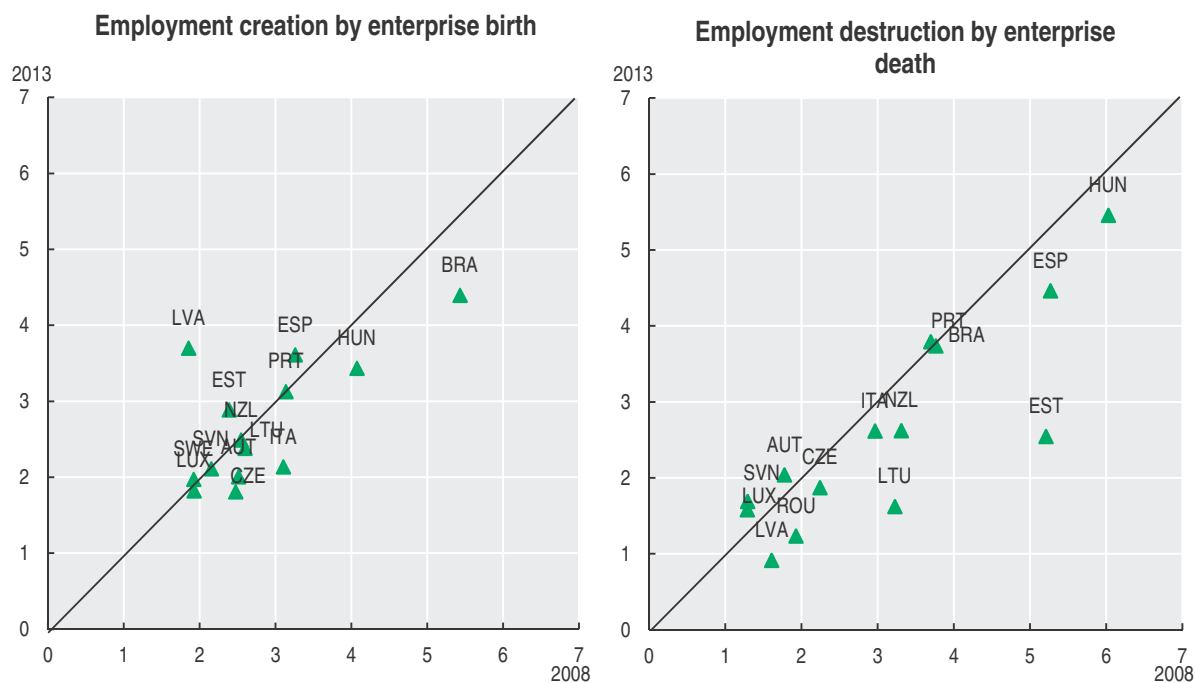
Further reading

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5. ENTERPRISE GROWTH AND EMPLOYMENT CREATION

Employment creation and destruction by enterprise births and deaths

Figure 5.1. **Employment share of employer enterprise births and deaths, total business economy**
Percentage of total employment in employer enterprises



StatLink <http://dx.doi.org/10.1787/888933404139>

Figure 5.2. **Net employment creation due to employer enterprise births and deaths, total business economy**
Percentage of total employment in employer enterprises




StatLink <http://dx.doi.org/10.1787/888933404146>

5. ENTERPRISE GROWTH AND EMPLOYMENT CREATION

Employment creation and destruction by enterprise births and deaths

Figure 5.3. **Employment creation by employer enterprise births, by sector**
Percentage of total sector employment in employer enterprises

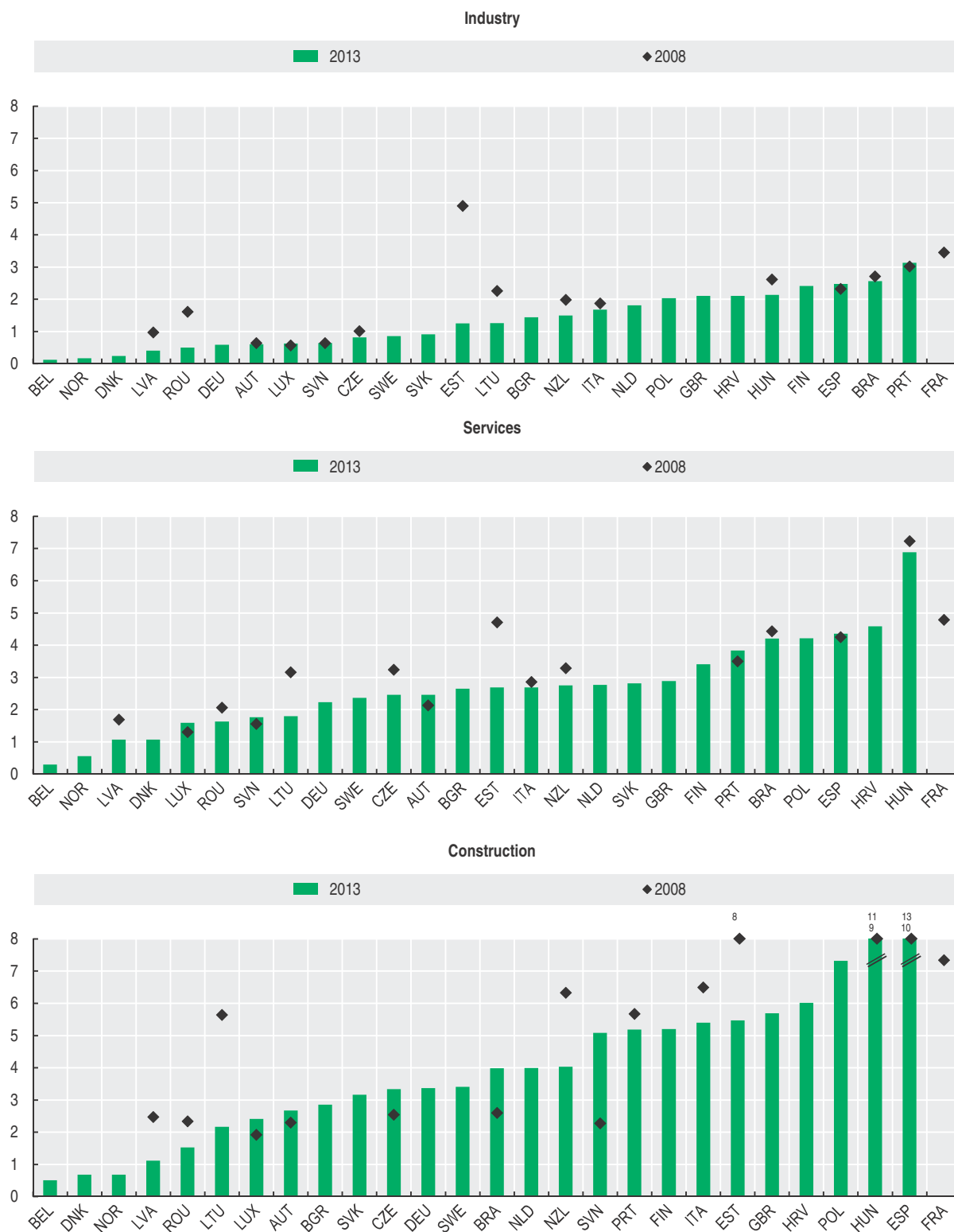



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5. ENTERPRISE GROWTH AND EMPLOYMENT CREATION

Employment creation and destruction by enterprise births and deaths

Figure 5.4. **Employment destruction by employer enterprise deaths, by sector**
Percentage of total sector employment in employer enterprises

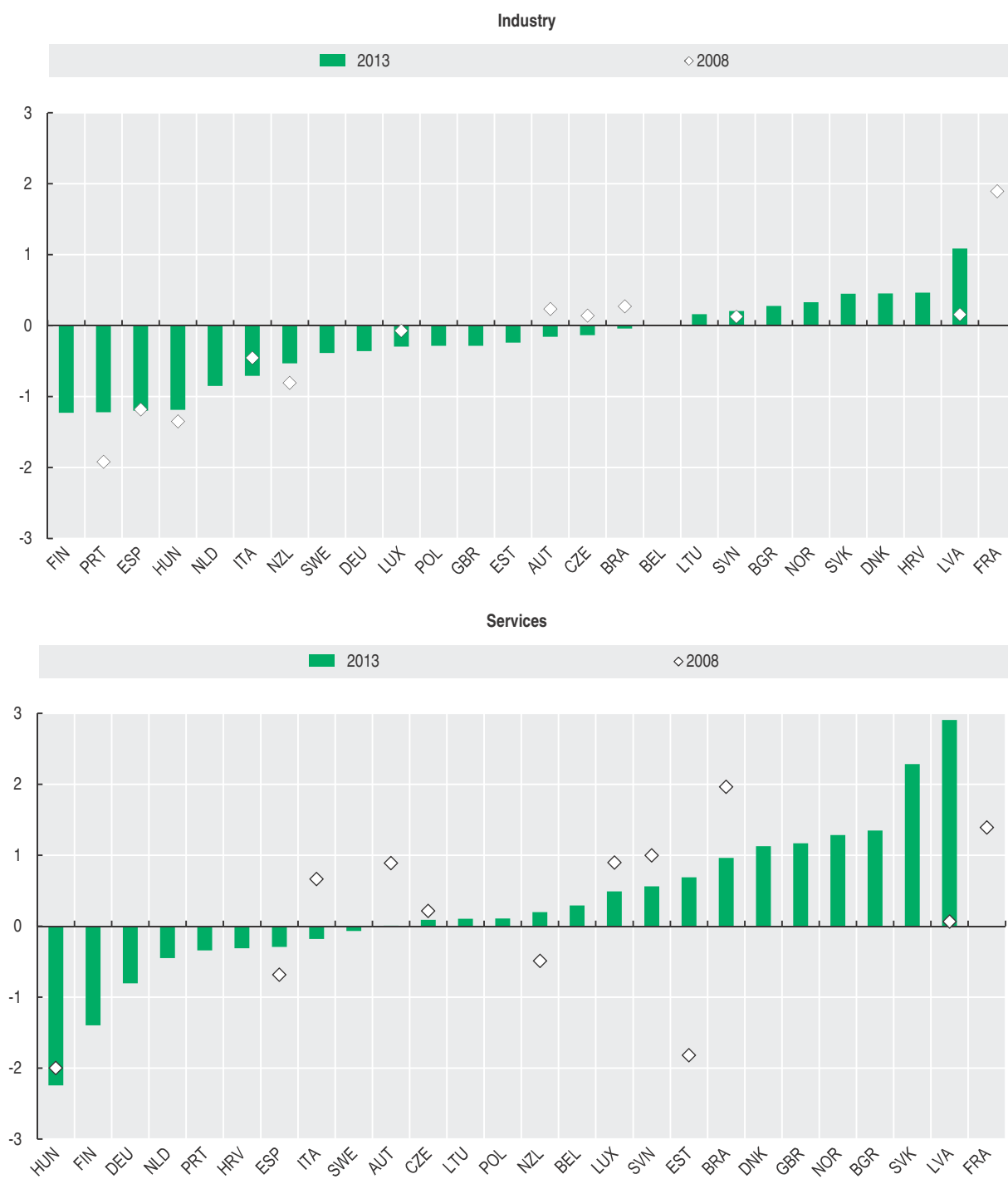


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5. ENTERPRISE GROWTH AND EMPLOYMENT CREATION

Employment creation and destruction by enterprise births and deaths

Figure 5.5. **Net employment creation due to employer enterprise births and deaths**
Percentage of total sector employment in employer enterprises

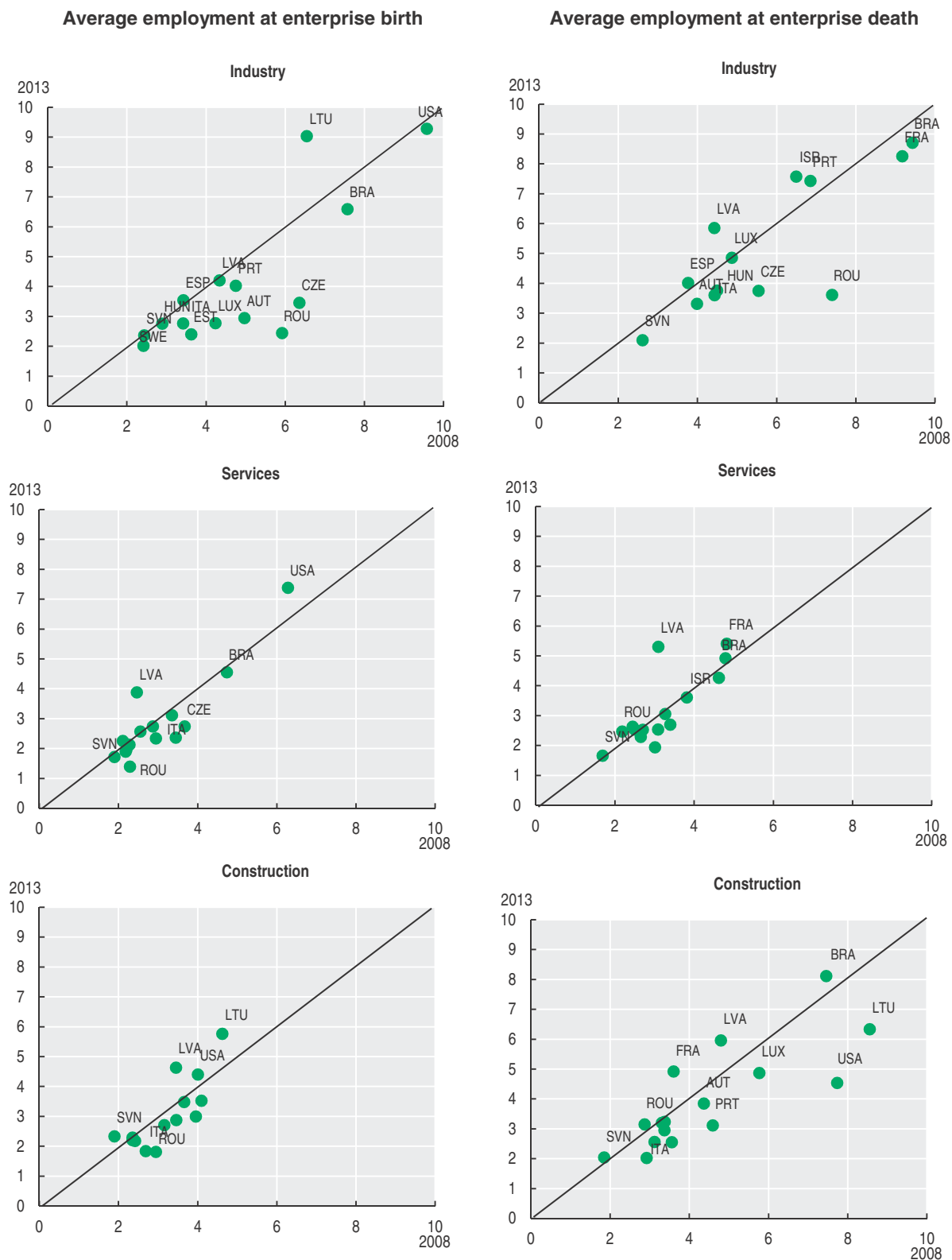


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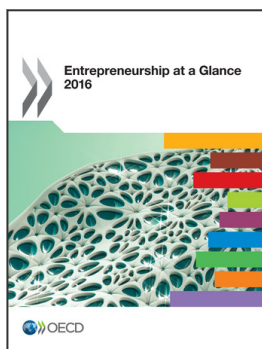
5. ENTERPRISE GROWTH AND EMPLOYMENT CREATION

Employment creation and destruction by enterprise births and deaths

Figure 5.6. **Average employment in employer enterprises at birth and death, by main sector**
Number of persons employed per employer enterprise birth/death, 2008 and 2013



StatLink <http://dx.doi.org/10.1787/888933404181>



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