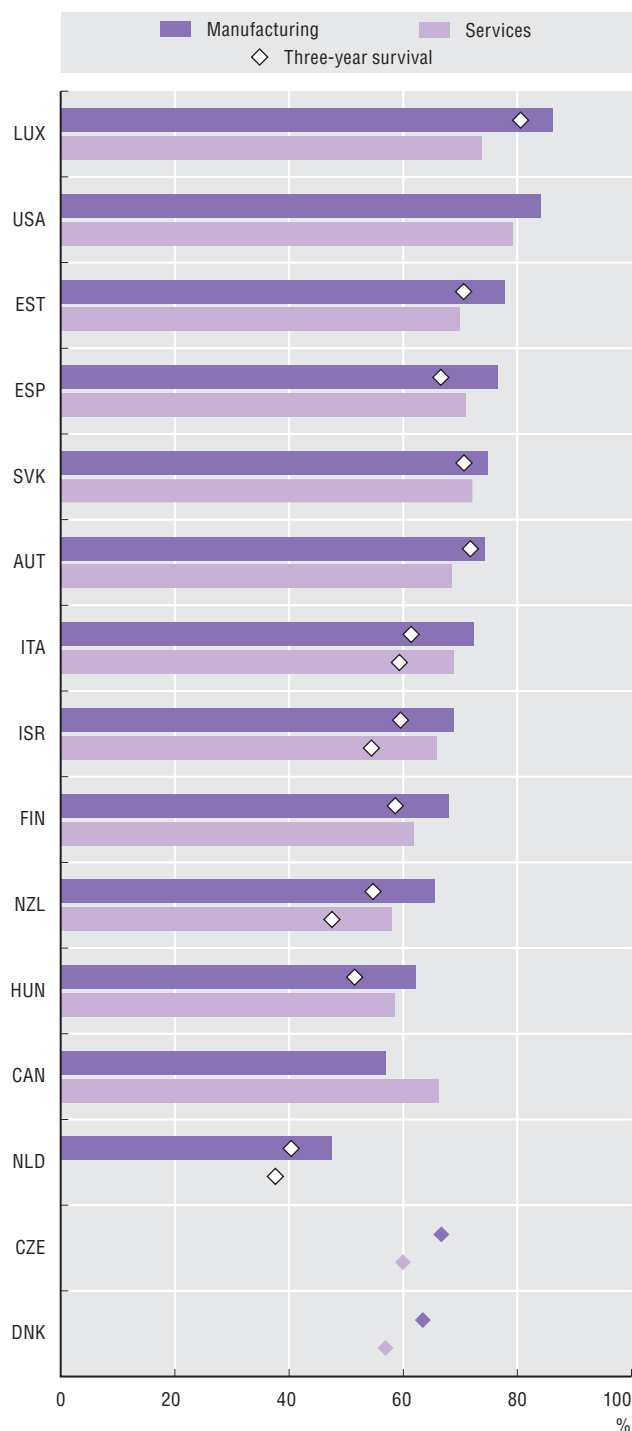


5. UNLEASHING INNOVATION IN FIRMS

6. Entry, exit and survival

Two-year survival of firms in manufacturing and services, 2004 cohort

As a percentage of the total population of employer enterprises



Source: OECD (2011), *Entrepreneurship at a Glance 2011*, OECD Publishing, Paris.

StatLink <http://dx.doi.org/10.1787/888932487286>

The birth and death of new enterprises are key indicators of business dynamism. Birth rates reflect an important dimension of entrepreneurship: the capacity to start up entirely new businesses. Death rates can give policy makers an indication of the impact of downturns on businesses and show that running a business often also involves failure.

Together, employer enterprise birth and death rates reflect the process of creative destruction. An efficient process of firm entry and exit makes an important contribution to aggregate employment and productivity growth: market selection leads to the death of less productive firms and the success of more productive ones.

A breakdown by industry shows that there is more entry and exit in services than in manufacturing, with a net entry of services enterprises in most countries, and especially in Estonia and the Slovak Republic. The picture is less clear in manufacturing; relatively lower birth and death rates result in net entry of manufacturing enterprises in the Slovak Republic and Estonia, whereas a net exit is observed in others, notably the United States, Portugal and Canada.

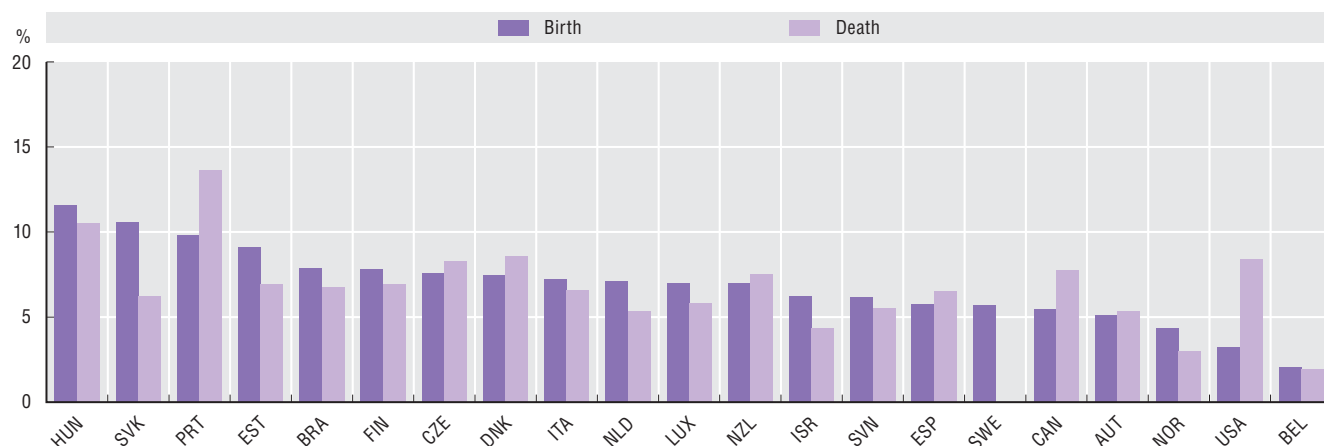
Figures on the survival rates of enterprises can provide insights into key issues such as how long start-ups survive after creation and the differences in enterprises' survival rates across countries and industries. In OECD countries for which the data are available, two-year survival rates in manufacturing and in services are on average 71% and 67%, respectively. Survival rates of employer enterprises are generally higher in manufacturing than in services.

Definitions

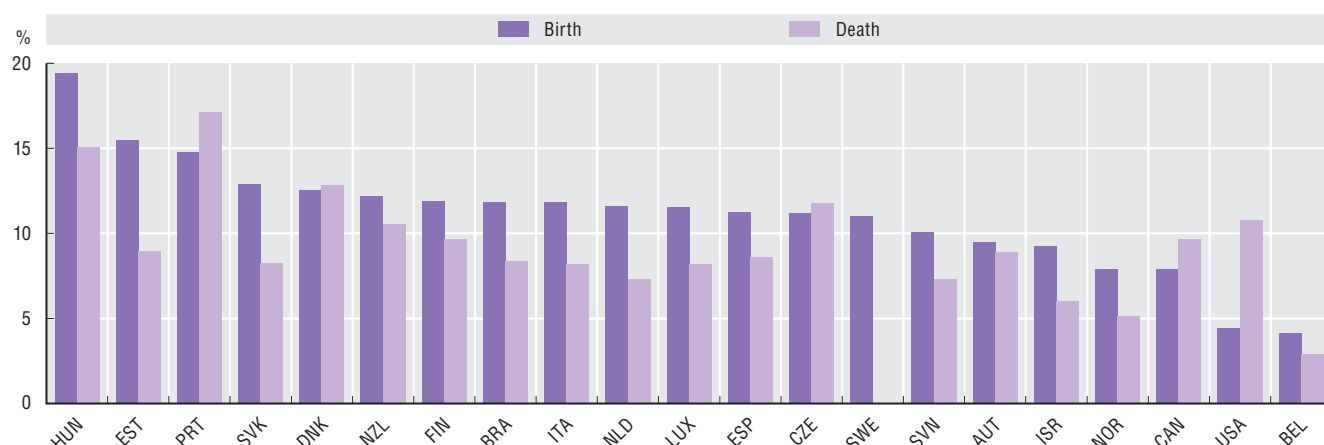
The *n*-year survival rate for a reference year *t* is calculated as the number of *n*-year survival enterprises as a percentage of all enterprises that reported at least one employee for the first time in year *t* – *n*. In the OECD Structural and Demographic Business Statistics Database, an enterprise is also considered to have survived if the linked legal unit(s) has (have) ceased to be active, but their activity has been taken over by a new legal unit set up specifically to take over the factors of production of that enterprise (survival by takeover). This definition of survival excludes cases in which enterprises merge or are taken over by an existing enterprise in year *t* – *n*. The *employer enterprise birth and death rates* are calculated as the number of births and deaths of employer enterprises, respectively, as a percentage of the population of active enterprises with at least one employee.

Employer enterprise birth rate (2007) and death rate (2006) in the manufacturing sector

As a percentage of the population of active enterprises with at least one employee

Source: OECD (2011), *Entrepreneurship at a Glance 2011*, OECD Publishing, Paris.StatLink <http://dx.doi.org/10.1787/888932487305>**Employer enterprise birth rate (2007) and death rate (2006) in the services sector**

As a percentage of the population of active enterprises with at least one employee

Source: OECD (2011), *Entrepreneurship at a Glance 2011*, OECD Publishing, Paris.StatLink <http://dx.doi.org/10.1787/888932487324>**Measurability**

The OECD defines an employer enterprise birth as the birth of an enterprise with at least one employee. This employer-based indicator, developed in the framework of the OECD-Eurostat Entrepreneurship Indicators Programme (EIP) and included in the OECD Structural and Demographic Business Statistics Database (SDBS), distinguishes between start-ups without employees (self-proprietor/self-employed businesses) and the creation of new businesses with employees. The latter typically have greater growth potential and economic significance. The data are collected only through official sources, e.g. national statistical offices, and thus ensure the international comparability of the data, as the main difference in coverage of business registers is due to the inclusion/exclusion of enterprises with no employees. The current country coverage of EIP will increase progressively over the coming years to cover more OECD member and non-member economies.



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