

4. ENTERPRISE BIRTH, DEATH AND SURVIVAL

Birth rate of employer enterprises

The birth of new enterprises is a key indicator of business dynamism. It reflects an important dimension of entrepreneurship in a country, namely the capacity to start up entirely new businesses.

Employer enterprises are economically more relevant than non-employer firms and more closely related to the notion of entrepreneurship as a driver of job creation and innovation.

Definitions

An employer enterprise birth refers to the birth of an enterprise with at least one employee. The population of employer enterprise births consists first of “new” enterprise births, i.e. new enterprises reporting at least one employee in the birth year; and second, enterprises that existed before the year under consideration but were then below the threshold of one employee, and that reported one or more employees in the current, i.e. birth, year.

Employer enterprise births do not include entries into the population due to: mergers, break-ups, split-off or restructuring of a set of enterprises. They also exclude entries into a sub-population resulting only from a change of activity.

The *employer enterprise birth rate* corresponds to the number of births of employer enterprises as a percentage of the population of active enterprises with at least one employee.

Figure 4.2 shows for each country the deviations from the country’s average over the period 2005-09 (or latest available year).

Comparability

“Employer” indicators are found to be more relevant for international comparisons than indicators covering all 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 economy with relatively high thresholds would therefore be expected to have lower birth statistics than similar economies with lower thresholds. An additional complication relates to changes in thresholds over time. Monetary-based thresholds change over time in response to e.g. inflation and fiscal policy, both of which can be expected to affect comparisons of birth 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 concept of employer enterprise birth is itself not without problems. Many countries have sizeable populations of self-employed. If a country creates incentives for the self-employed to become employees of their own company, the total number of employer enterprise births will increase. This can distort comparisons over time and across countries, even if from an economic and entrepreneurial perspective little has changed.

Data presented refer to the whole population of employer enterprises, with the exception of Canada, for which data refer to employer enterprises with less than 250 employees.

Data are classified according to ISIC Revision 4 for all countries except Canada, Israel, Mexico and the United States for which data are in ISIC Revision 3. Data for Mexico are based on the 2009 Economic Census.

Highlights

Birth rates of employer enterprises are higher in the services sector than in manufacturing. The newly created firms employ typically one to four employees, while few start with more than 10 employees.

The effects of the global crisis are noticeable: between 2007 and 2009 birth rates decreased in all countries where data are available. Only in Austria the birth rate in 2009 was higher than in 2008 although still below the 2007 level.

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>.

Eurostat/OECD (2007), *Eurostat-OECD Manual on Business Demography Statistics*, OECD Publishing.

OECD (2010), *Structural and Demographic Business Statistics*, OECD Publishing, <http://dx.doi.org/10.1787/9789264072886-en>.

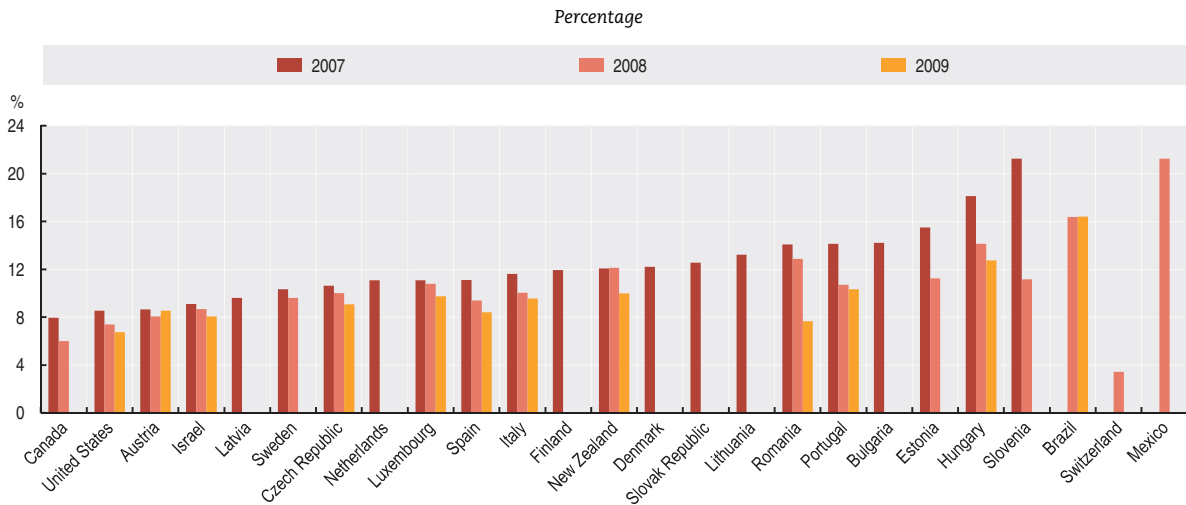
Information on data for Israel: <http://dx.doi.org/10.1787/888932315602>.

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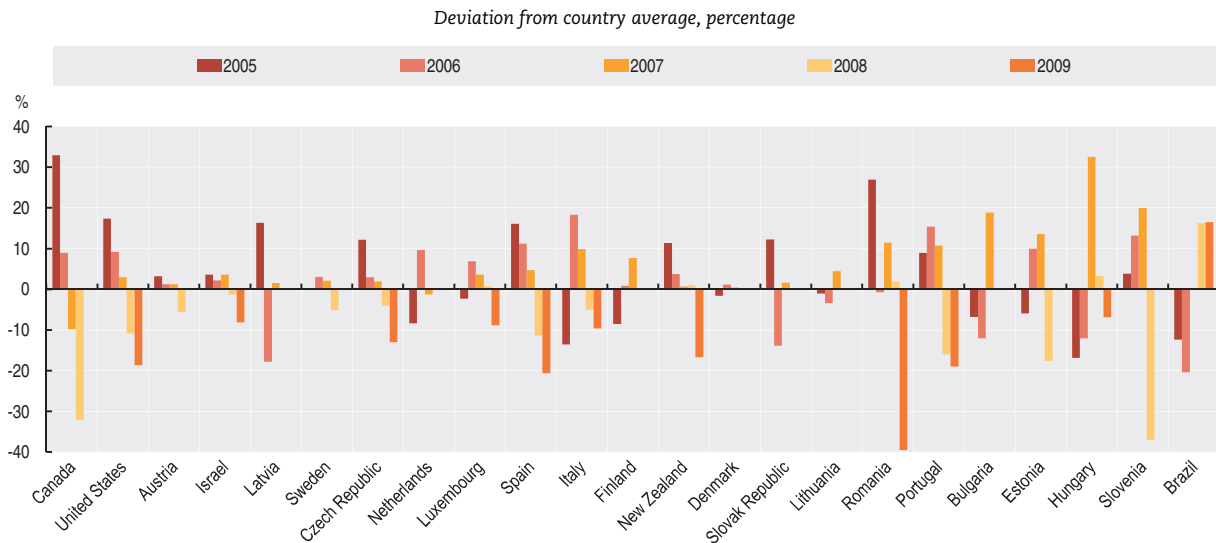
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Figure 4.1 **Employer enterprise birth rate, total economy**



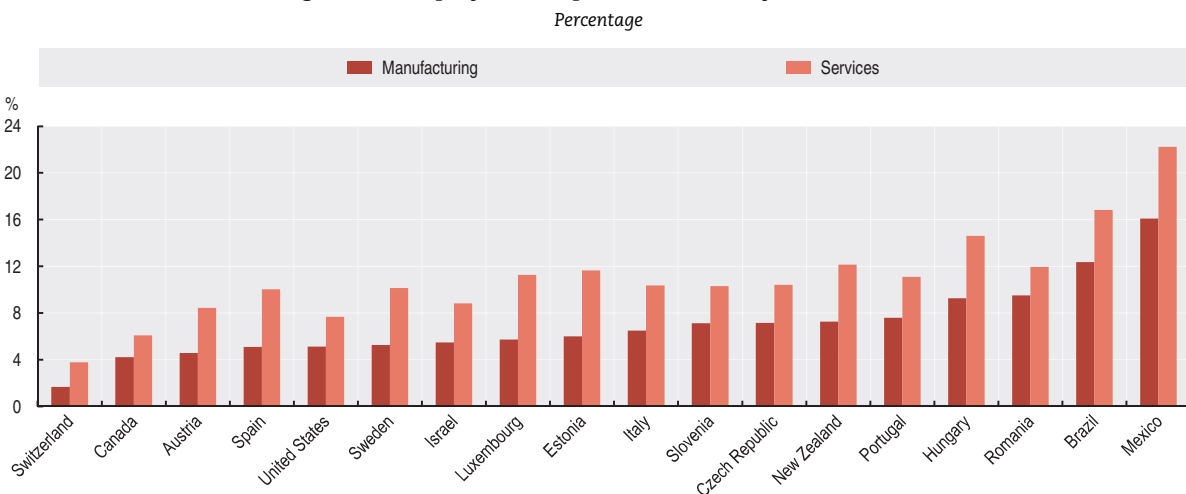
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Figure 4.2 **Trends in employer enterprise birth rate by sector**



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Figure 4.3 **Employer enterprise birth rate by sector, 2008**

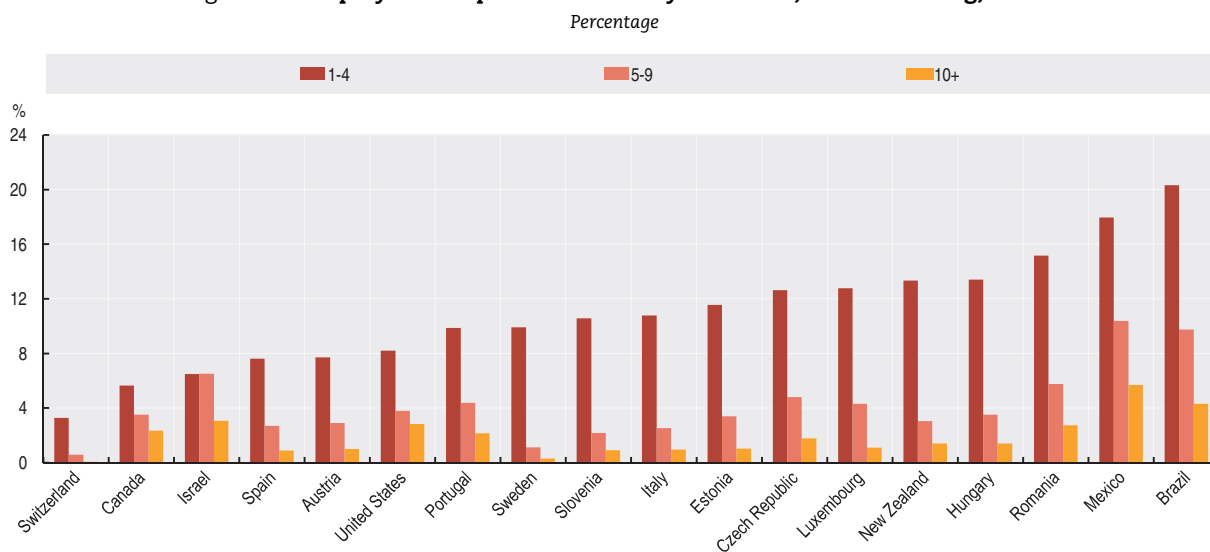


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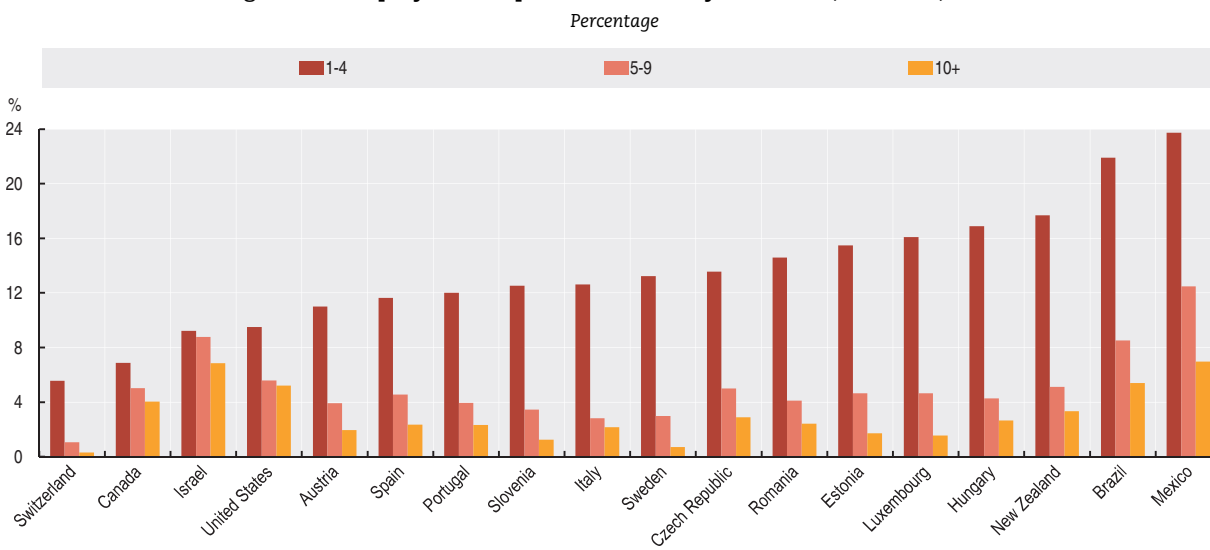
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Figure 4.4 Employer enterprise birth rate by size class, manufacturing, 2008



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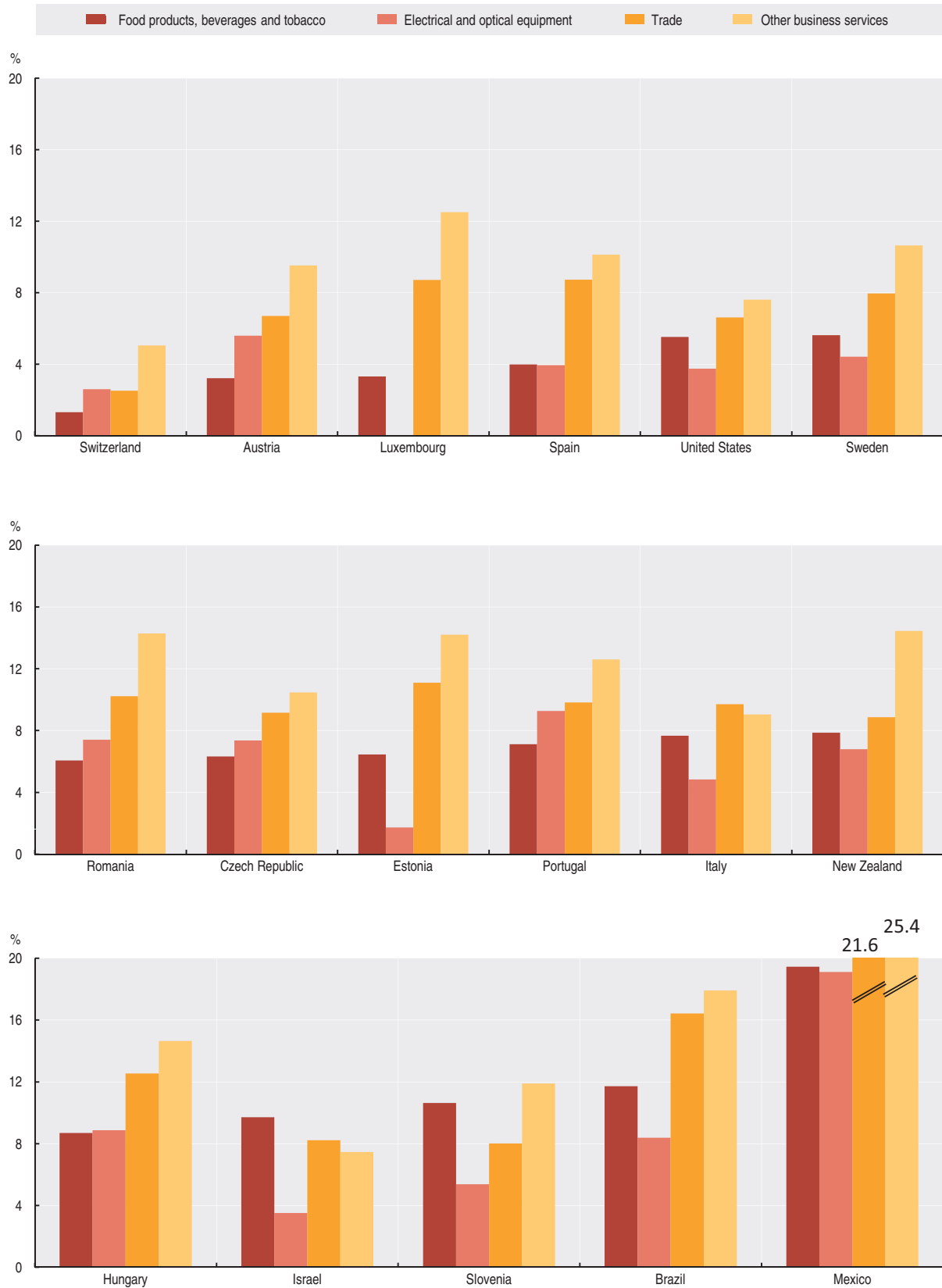
Figure 4.5 Employer enterprise birth rate by size class, services, 2008



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Figure 4.6 **Employer enterprise birth rate in various industries, 2008**

Percentage



StatLink <http://dx.doi.org/10.1787/888932597201>



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