

5. EMPLOYMENT CREATION AND DESTRUCTION

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 population 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 population 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 fore 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. Data are classified according to ISIC Revision 4 for all countries except Israel for which data are in ISIC Revision 3.

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; only in the Slovak Republic significant variations of the level of employment churning are observed.

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.

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

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

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Figure 5.1 **Employment creation by employer enterprise births by sector, 2008**

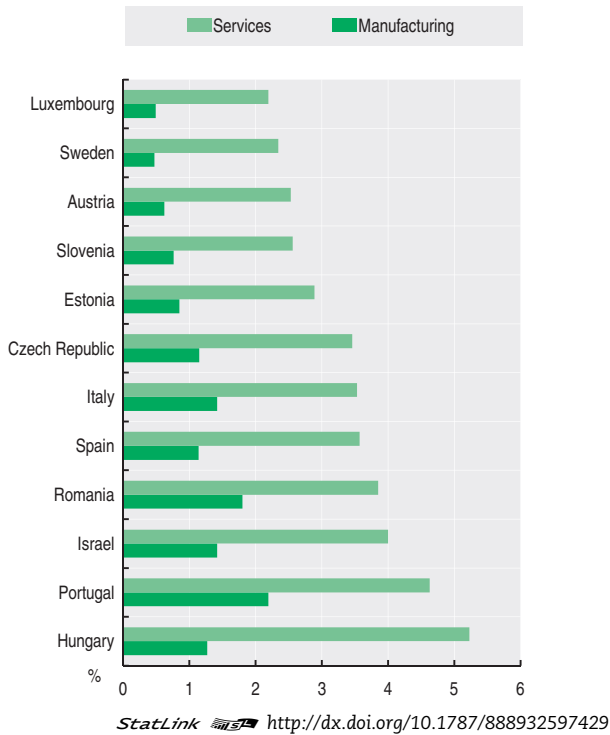
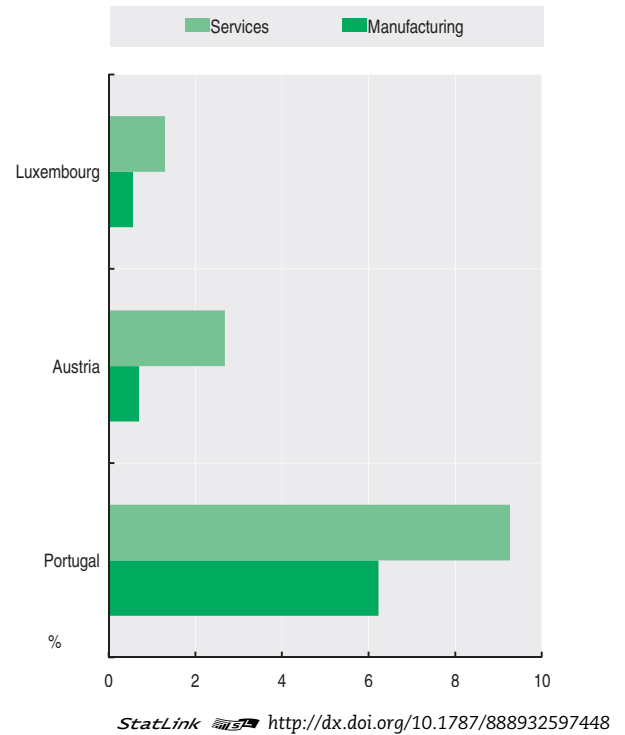


Figure 5.2 **Employment destruction by employer enterprise deaths by sector, 2008**



5.3 **Employment creation by employer enterprise births, total economy**

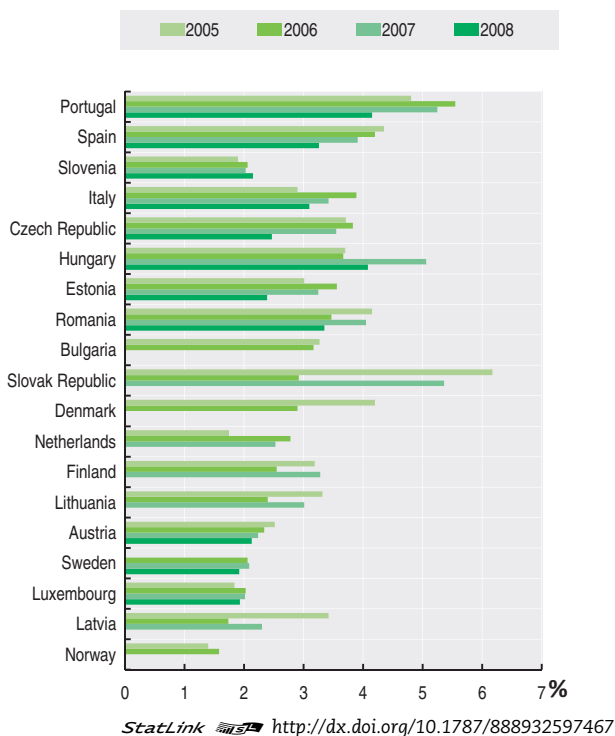
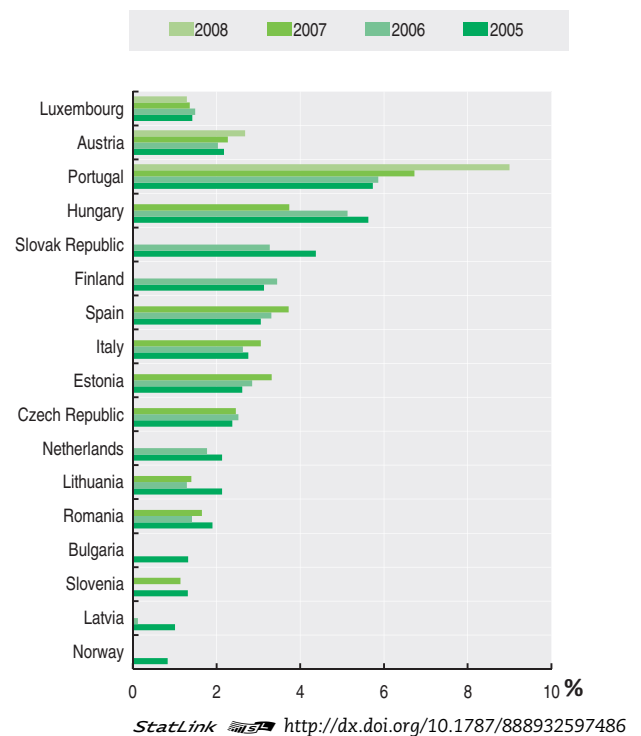


Figure 5.4 **Employment destruction by employer enterprise deaths, total economy**





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