

### Churn rate

#### Key findings

- In 2014 the churn rate of employer enterprises was on average around 20% in the OECD area; only a few countries show a much lower (Belgium) or much higher (Hungary) churn rate.
- In several countries, i.e. Austria, Canada, Czech Republic, Hungary, Luxembourg, New Zealand, and Slovenia, the churn rate increased in 2014 compared to its level at the beginning of the global crisis.
- The net employment creation associated with employer enterprise churn varies considerably across countries. For example, in Latvia and Slovenia job creation due to churn accounted for more than 55% of total change in business employment between 2013 and 2014, and around 25% in Norway, the United Kingdom and Brazil. In several other countries, enterprise churn resulted instead in net job destruction, representing in the Netherlands and Hungary more than 40% of total change in business employment between 2013 and 2014.

#### Definitions

The *employer enterprise churn rate* is calculated as the sum of the employer enterprise birth rate and the employer enterprise death rate. Employer enterprise birth and death data used in the compilation of the employer enterprise churn rate follow the definitions recommended by the Eurostat-OECD Manual on Business Demography Statistics (2008).

The *employer enterprise churn rate* does not include entries and exits into the population due to mergers, break-ups, split-offs, take overs or restructuring of a set of enterprises. It also excludes entries and exits into a sub-population resulting only from a change of activity.

*Net employment creation due to employer enterprise births and deaths* is calculated as the 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).

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

#### Relevance

The churn rate, i.e. the sum of birth and death rates of enterprises, provides a measure of how frequently new firms are created and existing enterprises close down. In most economies, the number of births and deaths of enterprises is a sizeable proportion of the total number of firms. The indicator reflects a country's degree of "creative destruction", and supports the analysis of the contribution of business dynamism to aggregate productivity growth.

#### Comparability

As indicated in previous sections, "employer" indicators provide the basis for a higher degree of international comparability than indicators based on all enterprises, as the latter are sensitive to the coverage of, and thresholds used in, business registers.

For Australia enterprise births and deaths and indicators derived from them do not take into account the transition of an enterprise with zero employees to an enterprise with one or more employees or vice versa, i.e. the transition of a non-employer enterprise to an employer enterprise is not considered as an "employer enterprise birth", and the transition of an employer enterprise to a non-employer enterprise is not considered as an "employer enterprise death".

#### Source

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

#### 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>.

OECD/Eurostat (2008), *Eurostat-OECD Manual on Business Demography Statistics*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264041882-en>.

Figure 4.17. **Churn rate of employer enterprises, business economy**  
Percentage of total employer enterprises, 2014 or latest available year

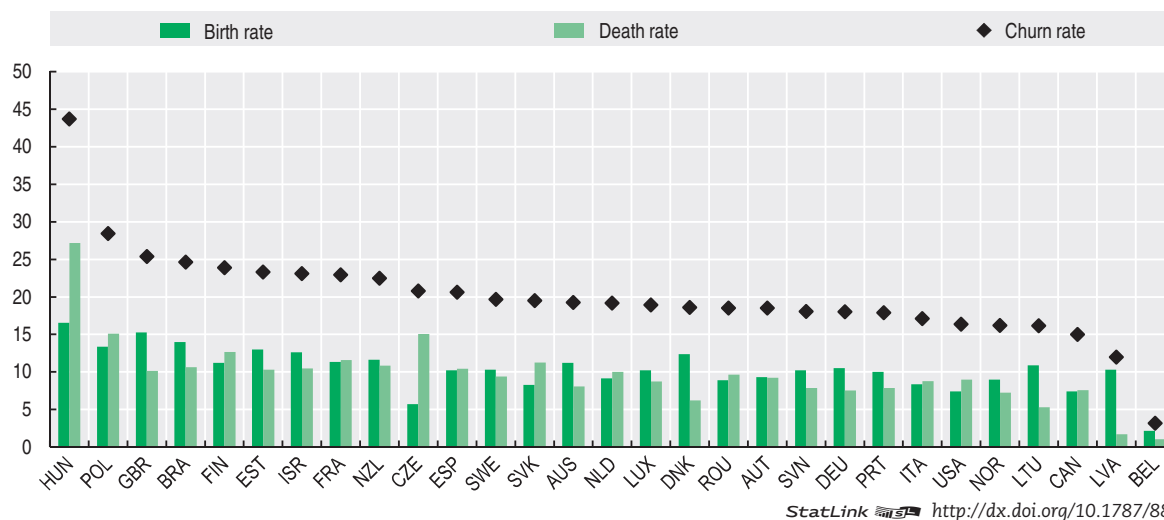


Figure 4.18. **Evolution of employer enterprise churn rate, business economy**  
Percentage of all employer enterprises

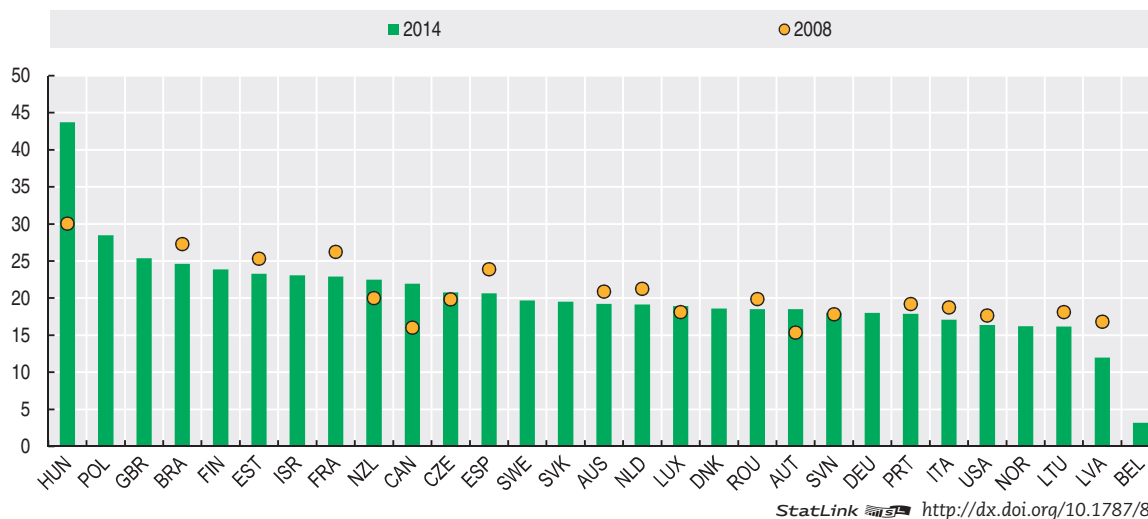
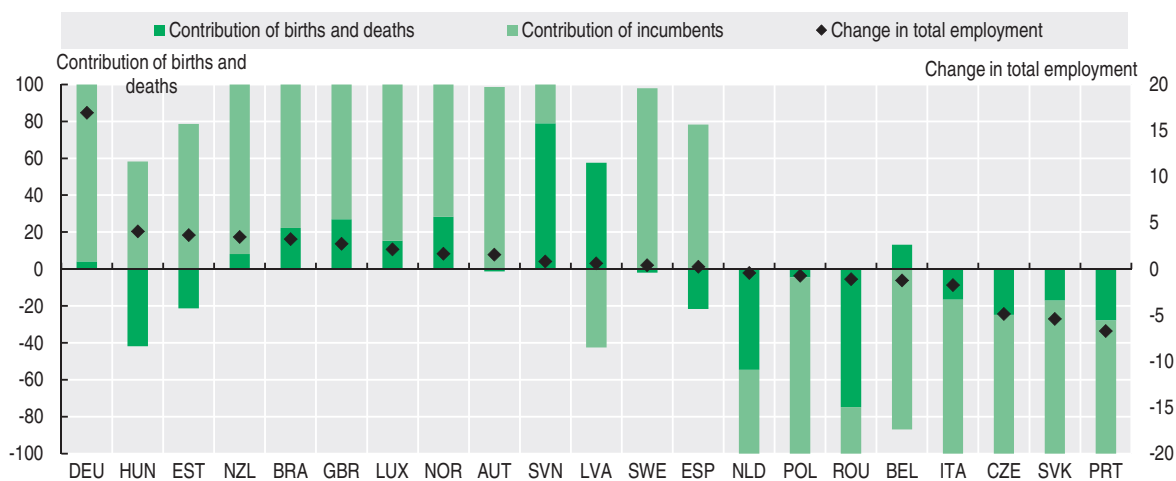


Figure 4.19. **Enterprise churn and net job creation, business economy**  
Contributions and percentage change between 2013 and 2014, or latest available year



StatLink <http://dx.doi.org/10.1787/888933563987>



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