Foreword

Business creation is a vital source of innovation, economic growth and employment creation. Policy makers around the world are increasingly trying to promote policies that foster local entrepreneurship and more innovation-based industries. Empirical evidence has highlighted the importance of the creation of new businesses, which mostly consist of small and medium enterprises (SMEs), for local employment growth and productivity growth. Among SMEs, new or young businesses in particular contribute to local employment. Understanding the scale, heterogeneity and determinants of business creations is therefore conducive to designing entrepreneurship-enhancing policies.

Across the OECD, business demography measuring the birth, death and survival of firms is of a highly localised and context-dependent nature. This report presents a first conclusive approach to capture the subnational dimension of business dynamics. Based on a novel comprehensive database on regional business demography across OECD countries, this report analyses the variation in and the importance of entrepreneurial activities for regional development. While differences in business dynamics across regions are inevitable, certain factors within the control of policy makers can encourage and stimulate new business creations and resulting employment. Having reliable and robust business demography statistics can help understand how to promote job creation in all places.

Regions across the OECD show different economic structures as well as different socio-economic trajectories. This is reflected, for example, by the clear divide observed between urban and rural places in terms of productivity growth during the last couple of decades. Thanks to the novel database developed on regional business demography, this report analyses whether these regional disparities also extend to business dynamism and therefore to the degree of reallocation of input and output from less productive towards more productive businesses.

The Geography of Firm Dynamics contributes to the ever more important questions of regional development and employment growth. Entrepreneurship is an important factor boosting innovation and making enterprises more efficient while also generating new employment in regions. Through The Geography of Firm Dynamics, the OECD provides an overview and a starting point for national and local policy makers to design strategies that are tailored to the specific characteristics of each region and thus raise prosperity.
Acknowledgements

This report on The Geography of Firm Dynamics was produced in the OECD Centre for Entrepreneurship, SMEs, Local Development and Tourism (CFE), led by Lamia Kamal-Chaoui, Director, and as part of the programme of work of the Regional Development Policy Committee (RDPC). The OECD would like to thank the European Commission (Directorate-General for Regional and Urban Policy) and the Korea Institute for Public Finance for their generous financial support and substantive contributions, and in particular Lewis Dijkstra (European Commission) and Junghun Kim (Korea Institute for Public Finance).

The project was co-ordinated and edited by Paolo Veneri under the supervision of Joaquim Oliveira Martins, Special Advisor CFE and formerly Head of the Regional Development Policy Division. The report was prepared by Lukas Kleine-Rueschkamp, Paolo Veneri and Alessia De Stefani, with substantial statistical analysis and support by Marcos Diaz Ramirez and Eric Gonnard. Chapter 5 was drafted and prepared by Flavio Calvino and Chiara Criscuolo (OECD Directorate for Science, Technology and Innovation). Chapter 4 benefited from substantial input on data collection at the establishment level provided by Mariarosa Lunati, Gueram Sargsyan and Liliana Suchodolska (OECD Statistics Directorate). Additional inputs for Chapter 4 were provided by Julia Bachtrögler (University of Vienna), Alexander Lembcke (OECD) and Isabelle Roland (London School of Economics and Political Science).

Special thanks are also due to Alessandro Alasia (Statistics Canada), Giovanni Barbieri (Italian National Institute for Statistics), Lisa Conolly (Australian Bureau of Statistics), Laura De Dominicis (European Commission), Michael Fritsch (University of Jena, Germany), Frants Gundersen (Institute of Transport Economics, Norway), Marcus Jernström (Swedish Agency for Growth Policy Analysis), Julio Rosa (Statistics Canada), Fabiano Schivardi (Bocconi University, Italy) and Elisaveta Ushilova (Eurostat). The draft also benefited from many comments and suggestions from OECD colleagues: Nadim Ahmad, Rudiger Ahrend, Kris Boschmans, Lucia Cusmano, Joaquim Oliveira Martins and Jonathan Potter. Participants of the expert workshops held during the OECD Working Party on Territorial Indicators in 2016 and 2017 provided important support and guidelines for the project. The report also benefited from comments received by delegates of the OECD Committee on Industry, Innovation and Entrepreneurship (CIIE) and of the Working Parties on Industry Analysis (WPIA) and on SMEs and Entrepreneurship (WPSMEE). Comments from participants in other international seminars, including those in the 2017 Congress of the European Regional Science Association and at the Eurostat Working Party for Business Demography, are also gratefully acknowledged.

Janine Treves provided editorial comments. Pilar Philip led the publication process. Jennifer Allain edited and prepared the manuscript for publication.