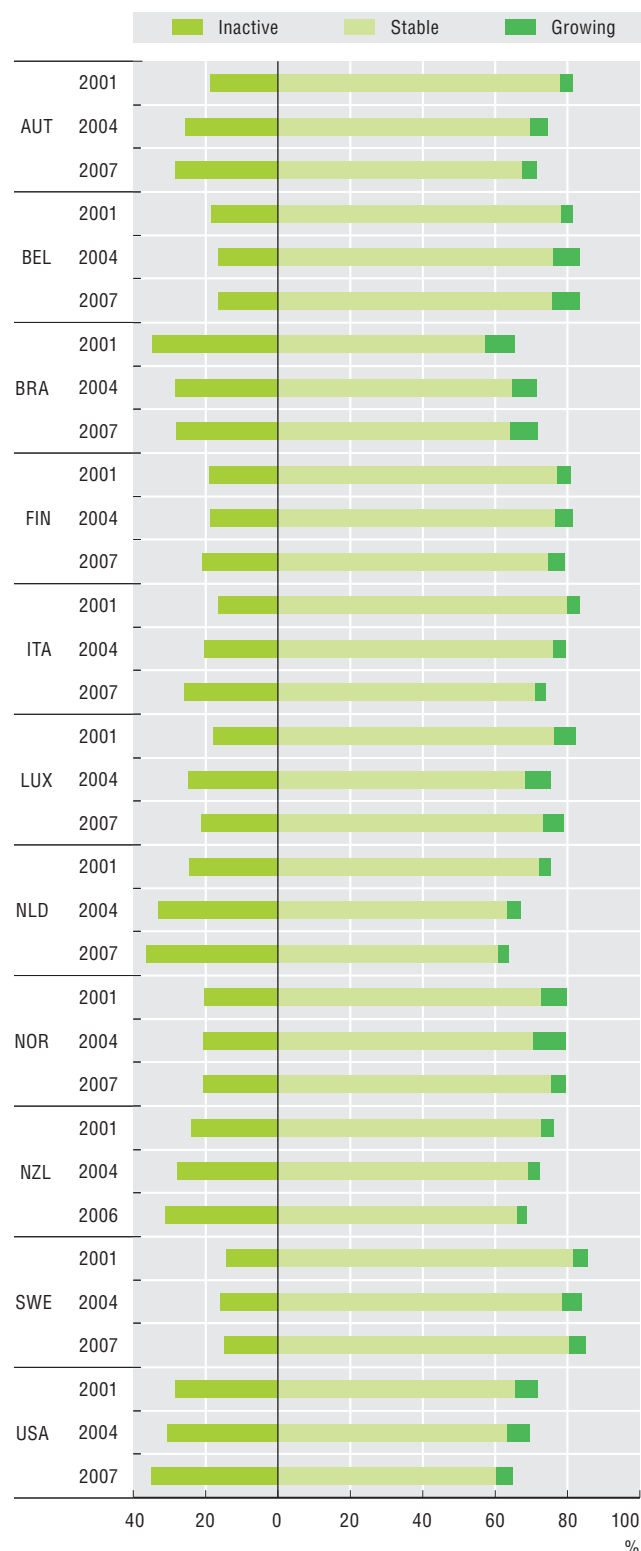


7. PARTICIPATING IN THE GLOBAL ECONOMY

4. Firm dynamics

Three-year survival and growth performance of micro start-ups, 2001-04, 2004-07, 2007-10

Firms with fewer than 10 employees and less than 3 years old, non-financial business sector



Source: OECD calculations based on the OECD DYNEMP data collection, July 2013. See chapter notes.

StatLink <http://dx.doi.org/10.1787/888932904241>

Young firms are generally characterised by an up-or-out dynamics. A significant share of start-ups does not survive beyond the first two years, but those that do contribute more than proportionally to job creation than old businesses. On average across 12 countries over 2001-10, the probability of micro start-up exit is 8 percentage points higher than for businesses more than 10 years old of the same size; however, they contribute 10 points more to gross job creation.

Throughout the periods and economies considered, at least 60% of start-ups remain micro-firms after three years. On average across countries and cohorts, some 5% of micro start-ups grow, but their contribution to net job creation amounts to 24% of initial employment of all micro start-ups. The data collected do not allow for quantifying how much growth is due to mergers and acquisitions. Almost everywhere, the 2008 crisis seemingly triggered an increase in the share of start-ups that became inactive at the end of the three-year period. This is not true for the share of start-ups that grow: while growing start-ups account for 3-9% of these firms, the crisis years are not necessarily those in which the share of growing firms is smaller, nor those in which they contribute less to net job creation.

When comparing the average size of firms in different age classes across economies at a given point in time, it appears that while two year-old firms have on average no more than 15 employees, the size of old businesses differs widely, with US firms almost five times larger than those in Italy.

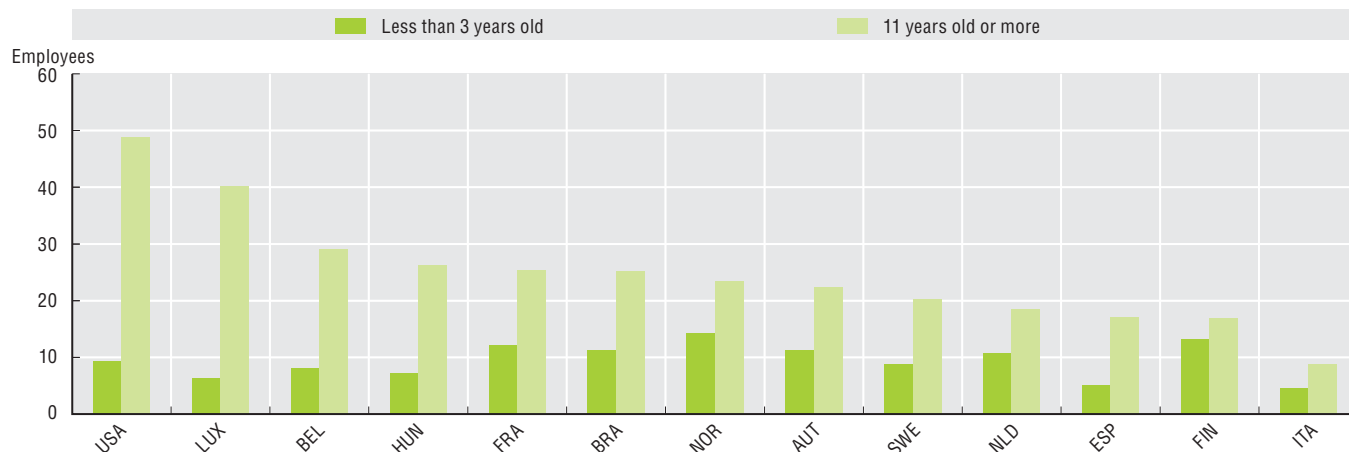
In all economies considered, the initial size of start-ups is on average larger in manufacturing than in services. However, the difference in size between 11 year-old and 3 year-old businesses is much smaller in services than in manufacturing. Economies in which manufacturing firms are born relatively large on average, e.g. Norway, Japan and Finland, are not those in which old firms are the largest. This may reflect differences in industrial composition, market size and framework conditions.

Definitions

Micro start-ups are less than three years old, with fewer than ten employees at the beginning of the observation period. A firm's survival refers to its existence at the end of the period considered. *Inactive firms* are those for which no employment information is available at the end of the observation period. *Stable firms* remain in the same size class at the end of three years. *Micro-firms* still have fewer than ten employees. *Growing firms* increase the number of their employees during the three-year period and are in size classes larger than the initial one at the end of the period. *Old firms* are 11 years old or more.

Average size of firms less than 3 years old and 11 years old or more, 2001-10

Non-financial business sector, reference cohorts 2001, 2004 and 2007

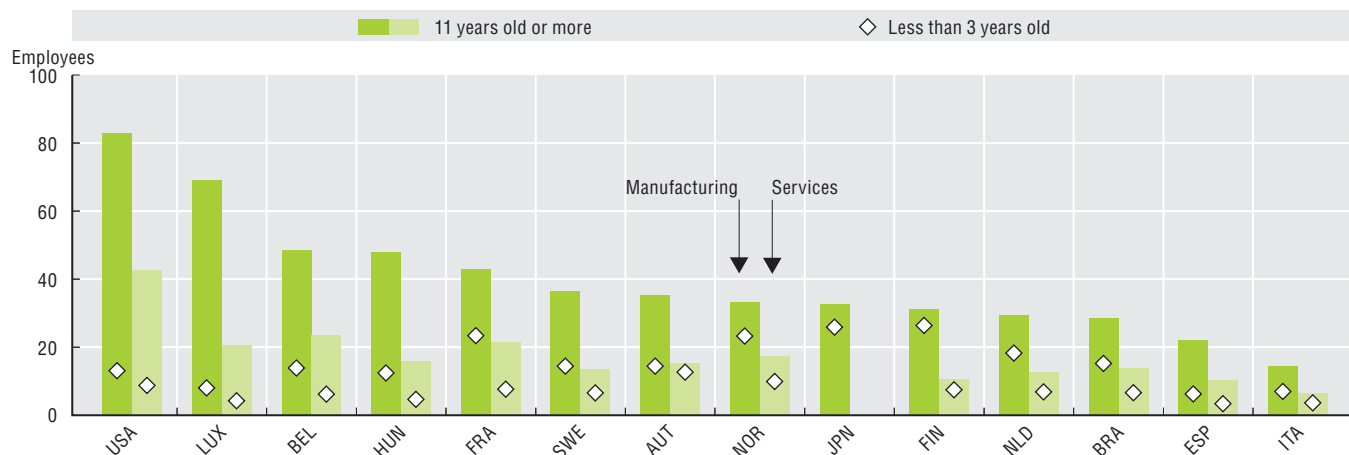


Source: OECD calculations based on the OECD DYNEMP data collection, July 2013. See chapter notes.

StatLink <http://dx.doi.org/10.1787/888932904260>

Average size of firms less than 3 years old and 11 years old or more, by sector, 2001-10

Reference cohorts 2001, 2004 and 2007



Source: OECD calculations based on the OECD DYNEMP data collection, July 2013. See chapter notes.

StatLink <http://dx.doi.org/10.1787/888932904279>

Measurability

The DYNEMP project has collected micro-aggregated data for start-ups (firms less than 3 years old) to look at performance and survival rates in 2001-04, 2004-07 and 2007-10. As there are differences in how long inactive firms are maintained in business registers before they are considered to have failed, the share of active firms in the last years may be underestimated until corrections are made. Caution is needed when comparing business over long time periods, especially across economies, since mergers, acquisitions and restructuring – which cannot be measured with the data available – may affect the comparison. The concept of firm size stability also needs to be interpreted with care, as firms may grow or shrink but remain in the same size class, particularly when the median size of firms is very close to the lower bound of the size class. For instance, in the case of start-ups with ten or fewer employees, the median firm has only two employees in all three macro sectors. Stable firms contribute to job creation: among jobs created by start-ups over the three-year periods considered, 25% came from stable start-ups in the period starting in 2001, 29% in 2004 and 27% in 2007.



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