

## Bankruptcies

### Key facts

- Data on bankruptcies are less comparable across countries and more affected by national legislation.
- Data for Australia and the United Kingdom are broadly consistent with higher levels of business entry and exit rates, with bankruptcies edging slightly higher in recent years. Bankruptcy rates for Denmark and the United States are significantly below the highs reached at the height of the crisis.

### Relevance

The recent global crisis has heightened interest in entrepreneurship as an essential element to foster economic recovery and employment growth. In order to analyse the impacts of economic cycles on new firm creation and also on failures, policy makers and analysts need as up-to-date as possible data. The short-term indicators presented in this section respond to this need.

### Definitions

The *Timely Indicators of Entrepreneurship Database* uses data base on national definition only. When possible, adjustments are made to get as close as possible to the *Eurostat-OECD Manual on Business Demography Statistics* standard definitions (for example by removing agriculture and public companies, etc.).

Bankruptcy is used as an alternative indicator for the enterprise deaths measure recorded elsewhere in this publication.

Bankruptcy generally refers to the initiation of legal proceedings (insolvency) when an enterprise cannot guarantee the reimbursement of its debt. The firm may continue to live.

Sources for Bankruptcies used in the *Timely Indicators of Entrepreneurship Database* are described in Table A.2, Annex A.

### Comparability

The concept of enterprise “failure” reflected in the data differs across countries due to differences in bankruptcy laws. In some countries a declaration of bankruptcy means that the enterprise must stop trading immediately. In other

countries, enterprises can declare themselves as bankrupt but are able to continue trading with receivers in operational control. This results in the winding-up of the enterprise as it goes into liquidation but sometimes the enterprise is able to continue operating, albeit with more restrictive operations and under new management. For this reason, some enterprises on business registers may be active but also bankrupt, making it very difficult to use a strict concept of deaths based on bankruptcy, particularly as some nominally bankrupt companies may recover.

On the other hand, firm closures can be due to different reasons, and only some consist of liquidations following bankruptcy. The financial literature has highlighted that countries differ in terms of the probabilities of firms being involved in bankruptcy or other insolvency procedures, and also in the final results of these procedures. The proportion of bankruptcy procedures that end up in actual liquidations of the companies, and not in reorganisations, varies across countries depending on the bankruptcy code.

Because of the comparability issues described, international comparisons of bankruptcy data from the *Timely Indicators of Entrepreneurship Database* should focus on changes in levels rather than levels per se.

### Notes

The *trend-cycle* reflects the combined long-term (trend) and medium-to-long-term (cycle) movements in the original series (see <http://stats.oecd.org/glossary/detail.asp?ID=6693>).

### Source/online database

OECD *Timely Indicators of Entrepreneurship (TIE) Database*.

### For further reading

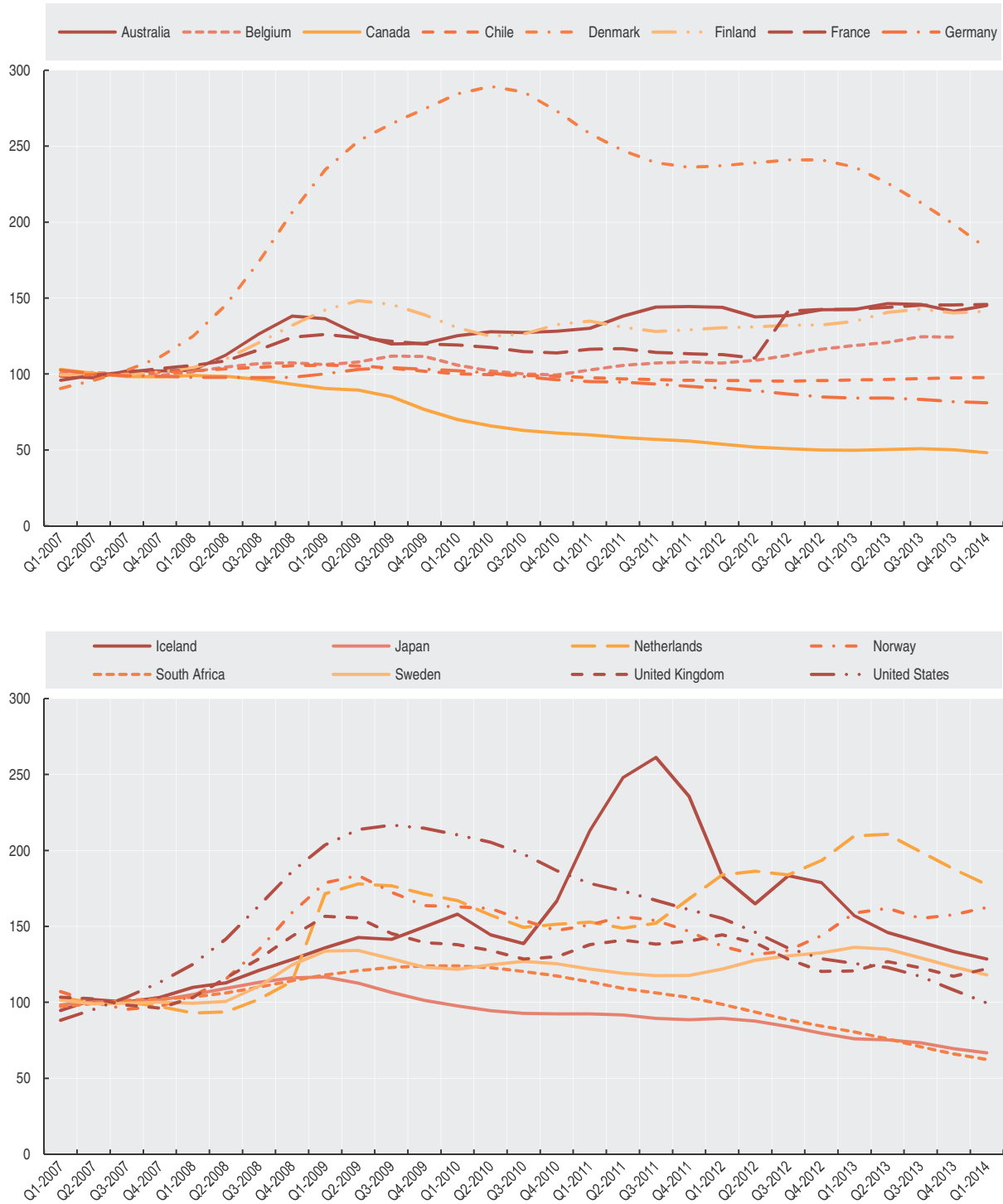
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Figure 1.2. **Bankruptcies, selected countries**  
Trend-cycle average 2007 = 100



StatLink  <http://dx.doi.org/10.1787/888933063195>



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