

### Birth of enterprises

#### Key findings

- Although births of non-employer enterprises are typically higher than births of enterprises with employees, in most OECD economies they accounted for a lower share of overall jobs created in 2014.
- Most new employer enterprises in OECD economies are created with between one and four employees. The average number of persons employed in employer enterprise births is typically higher in industry than in services, reflecting economies of scale.
- Across countries, the average size of employer enterprise births is broadly similar in the services sector, but more significant differences exist in industry. The average size of newly-born industrial enterprises in the United States was three times the size of their Italian counterparts in 2014.
- In nearly all countries, birth rates are higher in the construction and services sectors, especially in accommodation and food and in professional, scientific and technical activities, than in industry, reflecting the lower fixed capital entry costs.

#### Definitions

An *employer enterprise birth* refers to the birth of an enterprise with at least one employee. The population of employer enterprise births consists of “new” enterprise births, i.e. new enterprises reporting at least one employee in the birth year; and of enterprises that existed before the year under consideration but were then below the threshold of one employee, and that reported one or more employees in the current, i.e. birth, year. Employer enterprise births do not include entries into the population due to: mergers, break-ups, split-offs or restructuring of a set of enterprises. They also exclude entries into a sub-population resulting only from a change of activity.

The *employer enterprise birth rate* corresponds to the number of births of employer enterprises as a percentage of the population of active enterprises with at least one employee. The birth rate for sector  $x$  is measured as percentage over active enterprises with at least one employee in sector  $x$ .

A *non-employer enterprise birth* refers to the birth of an enterprise with no employees. The *non-employer enterprise birth rate* corresponds to the number of births of non-employer enterprises as a percentage of the population of active non-employer enterprises.

*Average employment in employer enterprise births* is the number of persons employed in employer enterprises at birth in  $t$  divided by the number of employer enterprise births in  $t$ .

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

#### Relevance

The birth of new enterprises is a key indicator of business dynamism. It reflects an important dimension of entrepreneurship in a country, namely the capacity to start up an entirely new business. New enterprises are considered as key drivers of growth due to their contribution to aggregate job creation and because of the productivity-enhancing effect associated with a pace of firm entry and exit.

#### Comparability

“Employer” indicators are less sensitive to the coverage of business registers than indicators covering all enterprises. In many countries, the main sources of data used in business registers are administrative tax and employment registers, meaning that often only businesses above a certain turnover and/or employment threshold are captured. An economy with relatively high thresholds would therefore be expected to have lower birth statistics than similar economies with lower thresholds. Also, changes in thresholds may occur over time, e.g. changes in monetary-based thresholds in response to factors such as inflation and fiscal policy. The use of the one-employee threshold improves comparability, as it excludes very small units, which are most subject to threshold variations.

The concept of employer enterprise birth is not without problems. Many countries have sizeable populations of self-employed who own enterprises with no employees. If a country creates incentives for the self-employed to become employees of their own company, the total number of employer enterprise births will increase. This can distort comparisons over time and across countries, even if from an economic and entrepreneurial perspective little has changed.

Employment data for Canada, Israel and the United States refer to the number of employees. In Figure 4.1, for Brazil, Canada, Israel, New Zealand and the United States data refer to the population of employer enterprises only.

For Australia, Korea, and Mexico, enterprise births and indicators derived from enterprise births do not take into account the transition of enterprises from zero employees to one or more employees, i.e. the transition of a non-employer enterprise to an employer enterprise is not considered as an “employer enterprise birth”.

#### Source

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

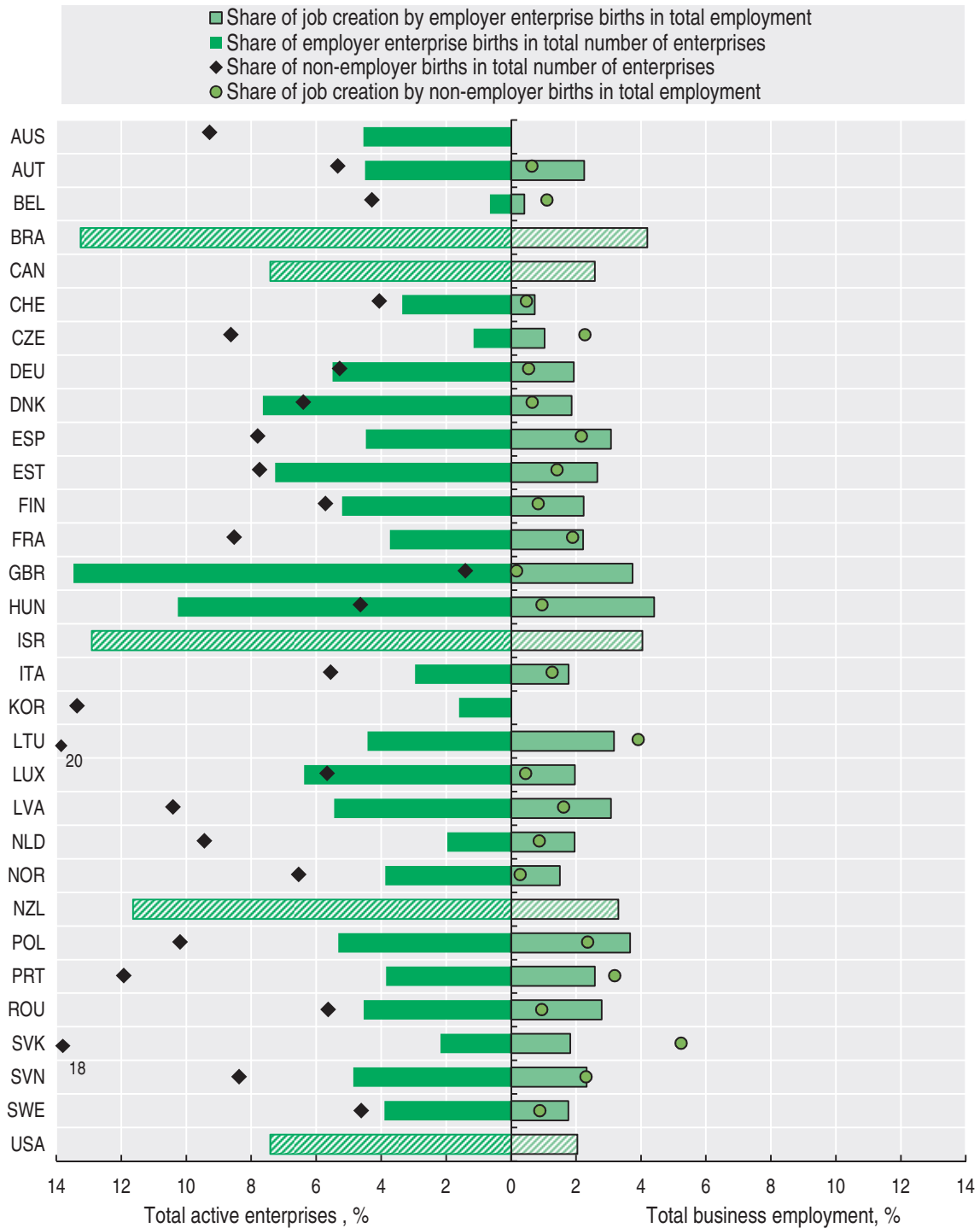
Counts of Australian Businesses, including Entries and Exits. 8165.0, <http://dx.doi.org/10.1787/sdbs-data-en>.

#### 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 4.1. Births of non-employer and employer enterprises and job creation, business economy  
 Percentage, 2014 or latest available year



StatLink <http://dx.doi.org/10.1787/888933563645>

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Figure 4.2. **Number of births of employer enterprises and non-employers, business economy**  
Thousands of enterprises, 2014 or latest available year

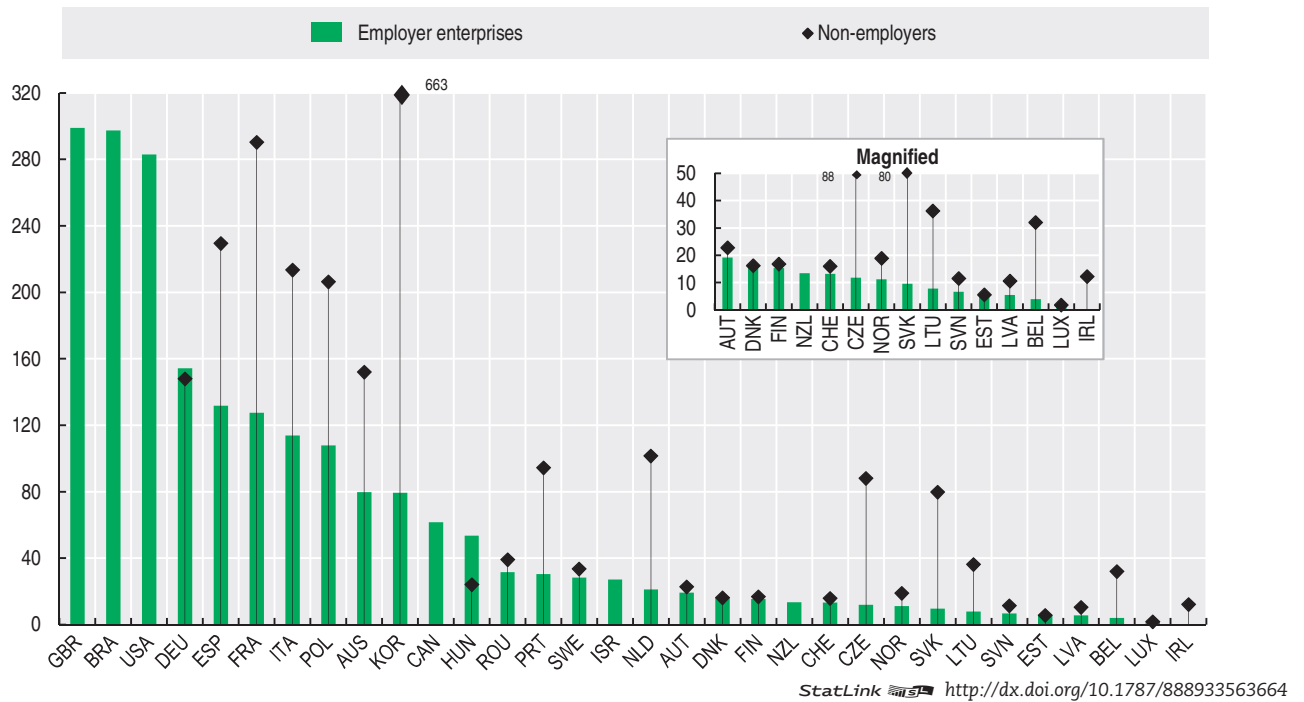


Figure 4.3. **Birth rates of employer enterprises, business economy**

Number of employer enterprise births as percentage of active employer enterprises, 2014 or latest available year

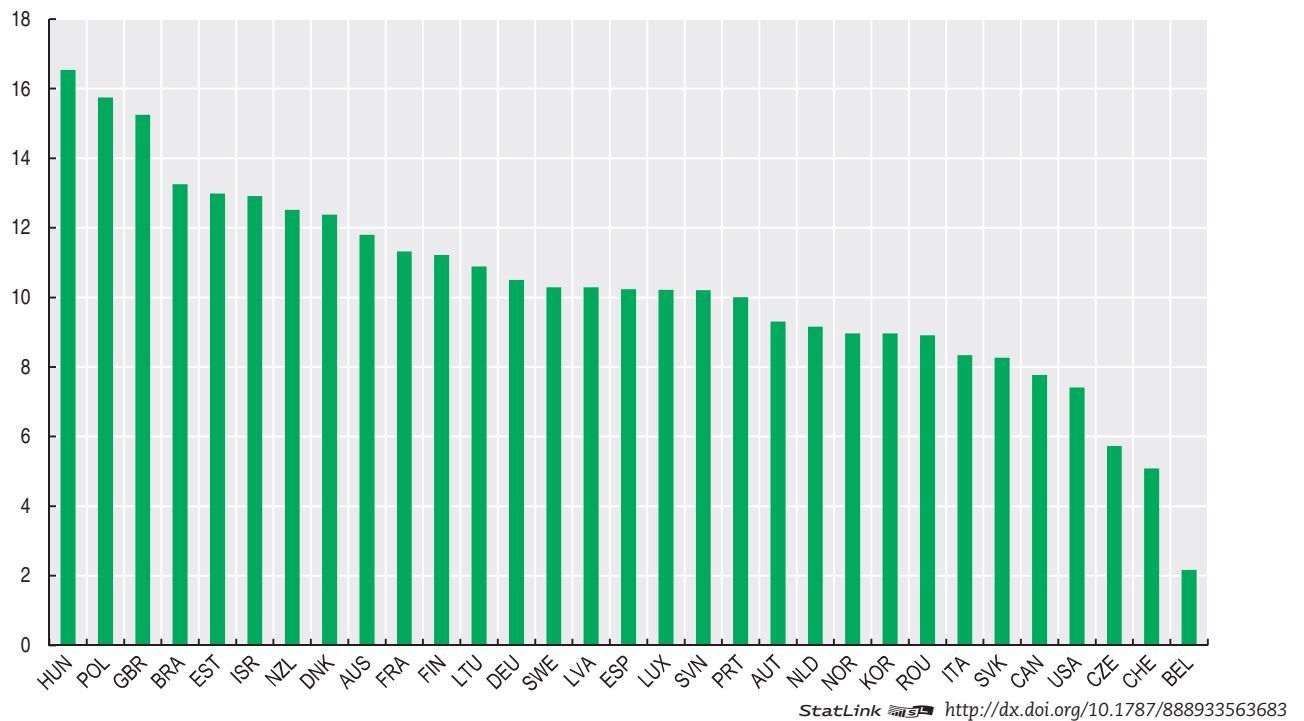


Figure 4.4. **Birth rates of employer enterprise, by sector**  
 Percentage of active employer enterprises in each sector, 2014, or latest available year

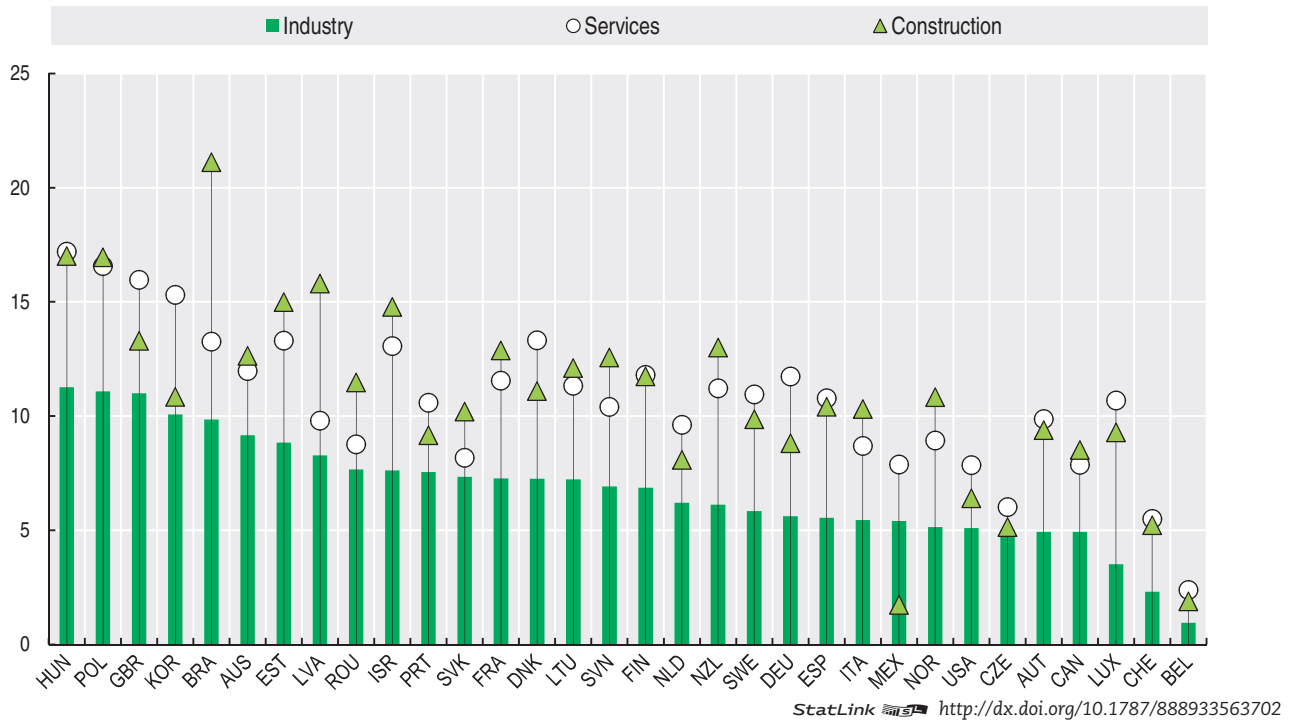
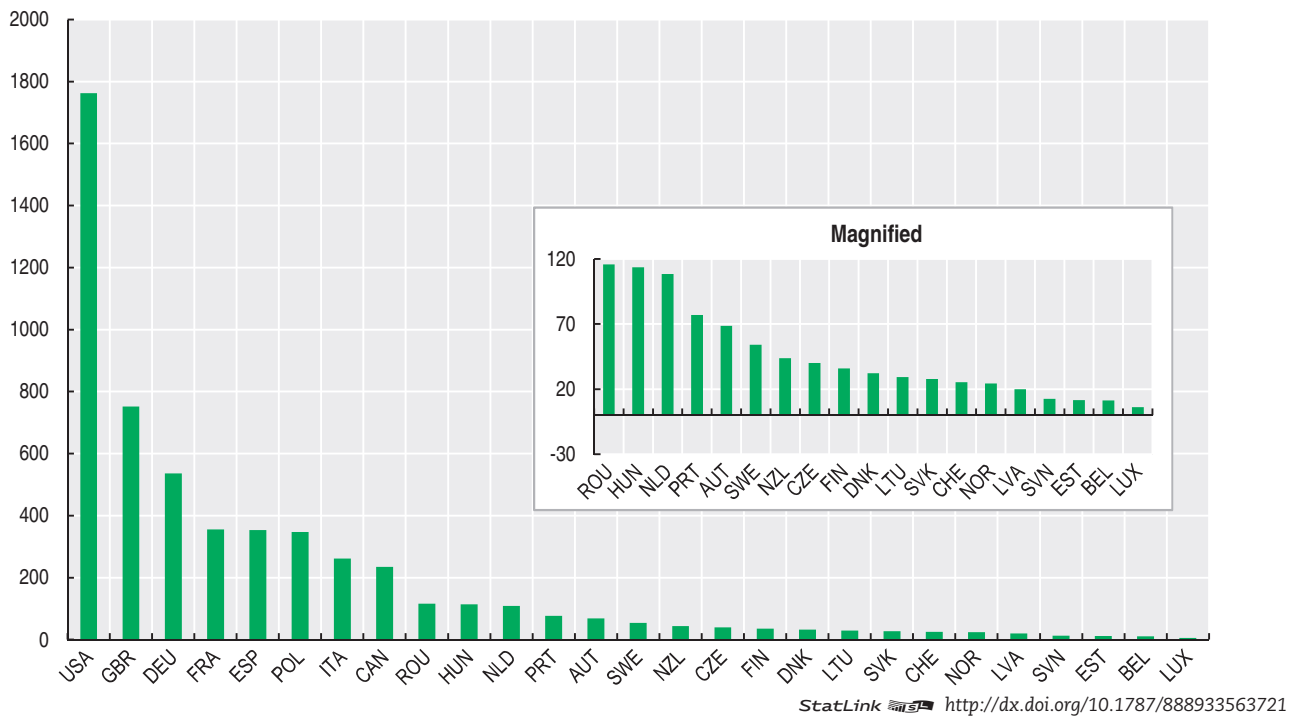


Figure 4.5. **Job creation by employer enterprise births, business economy**  
 Number of persons employed, thousands, 2014 or latest available year



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Figure 4.6. Job creation by employer enterprise births, distribution by economic activity  
Percentage, 2014, or latest available year

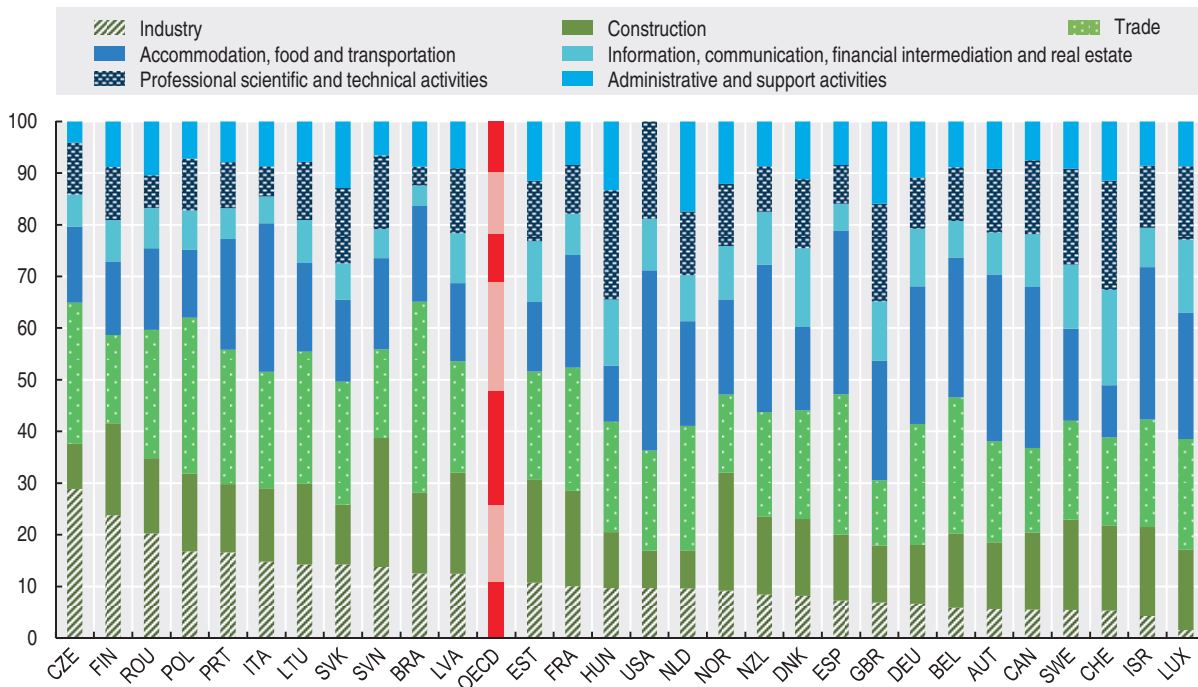


Figure 4.7. Job creation rate by employer enterprise, by economic activity  
Percentage of total employment in each economic activity, 2014, or latest available year

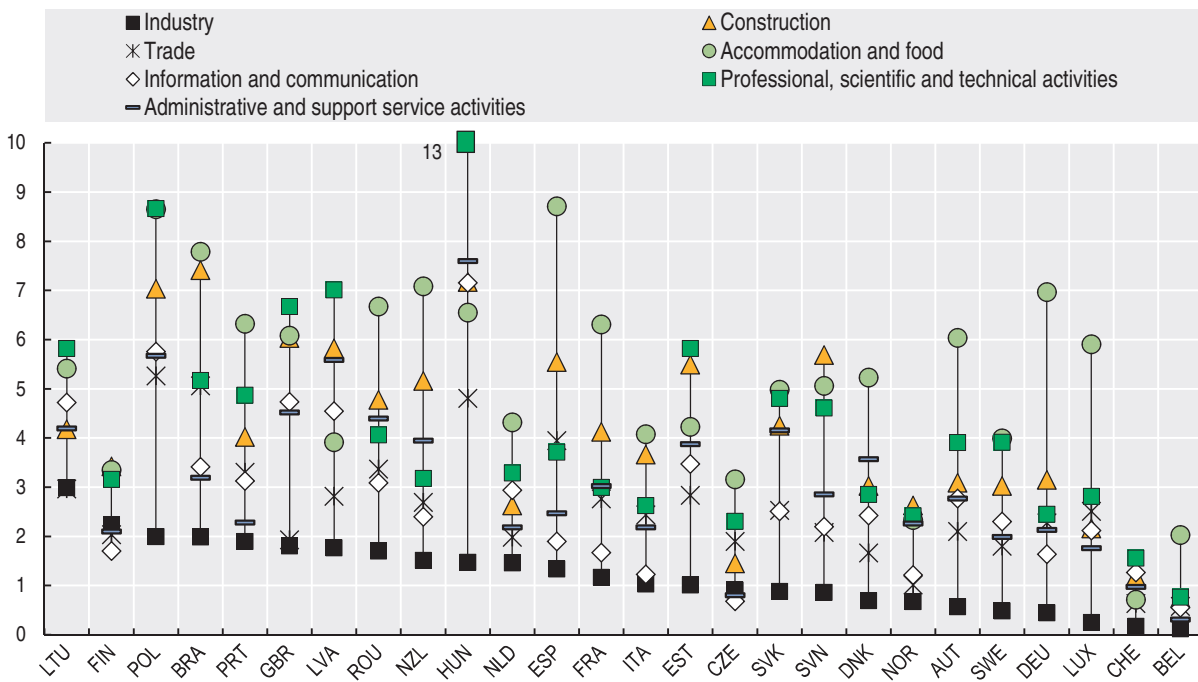
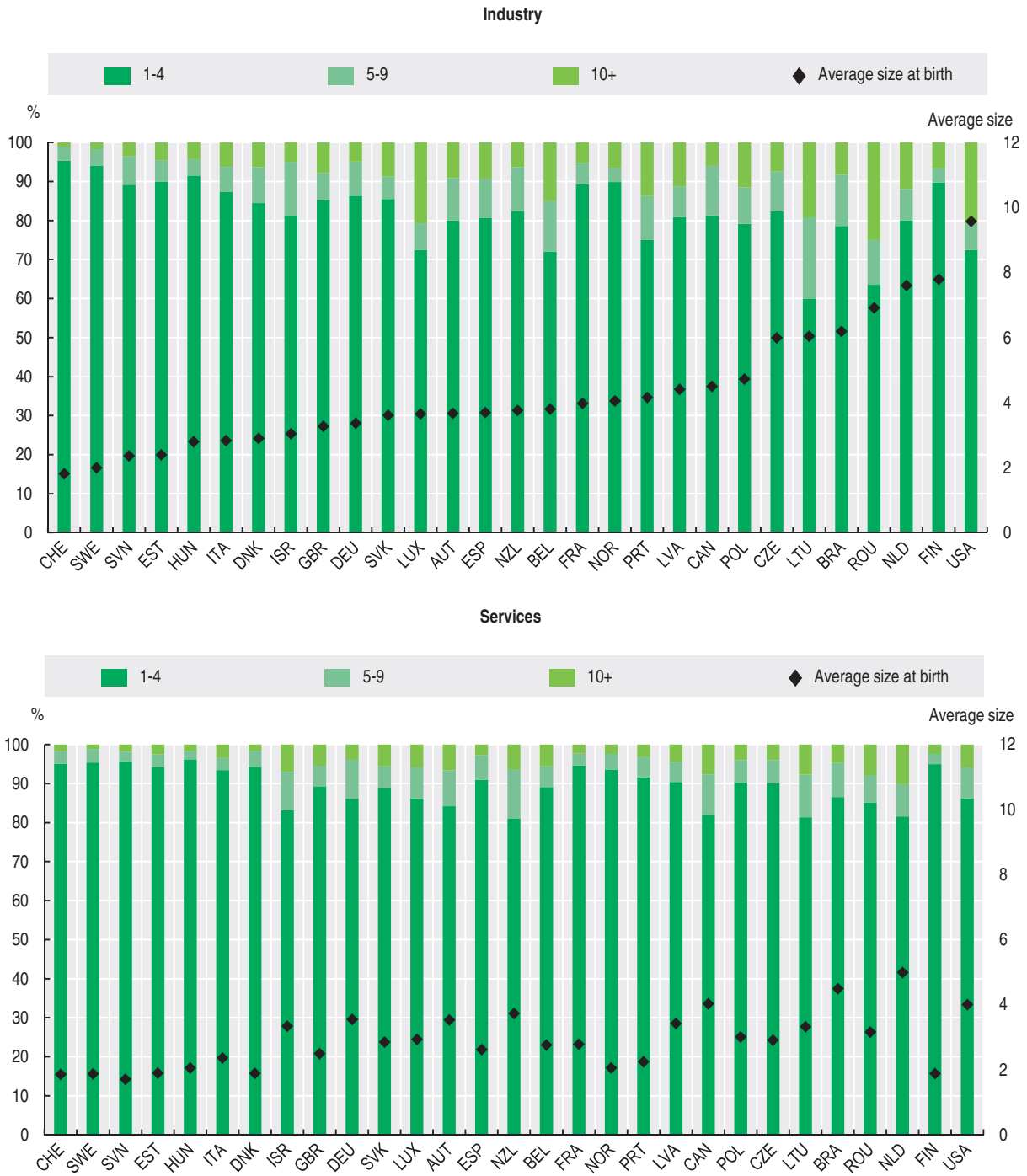


Figure 4.8. Births of employer enterprise, by size and sector  
Share of each size class in total number of employer enterprise births, and average employment at birth, 2014, or latest available year



StatLink <http://dx.doi.org/10.1787/888933563778>



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