

### Death of enterprises

#### Key findings

- Death rates are typically higher for non-employer enterprises than for employer enterprises, reflecting the often precarious nature of the former. However, employer enterprise deaths contribute more to job losses than non-employer deaths in most countries.
- Across countries the average size of employer enterprise deaths are broadly similar in the services sector but more significant differences exist in industry. The average size of employer enterprise deaths in industry in the United States (35) was ten times the size of their Italian counterparts in 2014.
- In all countries, the death rates of employer enterprises in the construction and services sectors are consistently higher than the corresponding rates in industry.

#### Relevance

The death of enterprises is an integral part of the phenomenon of entrepreneurship. Monitoring the rate of exit of firms from the market, over time and across

#### Definitions

An *employer enterprise death* occurs either at the death of an enterprise with at least one employee in the year of death or when an enterprise shrinks to below the threshold of one employee for at least two years. Deaths do not include exits from the population due to mergers, take-overs, break-ups and restructuring of a set of enterprises. They also exclude exits from a sub-population resulting only from a change of activity.

A non-employer enterprise death occurs at the exit of an enterprise from the population of non-employers, either as a result of death or employment increase.

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

The *non-employer enterprise death rate* corresponds to the number of deaths of non-employer enterprises as a percentage of the population of active non-employer enterprises.

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

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

countries, helps the understanding of the process of “creative destruction” and the impact of economic cycles on entrepreneurship.

#### 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. Also, changes in thresholds can occur over time, e.g. changes in monetary-based thresholds in response to factors such as inflation and fiscal policy, both of which can be expected to affect comparisons of death rates across countries and over time. The use of the one-employee thresholds improves comparability, as it excludes very small units, which are the most subject to threshold variations.

The computation of enterprise deaths requires an additional time lag compared to data on enterprise births. This is due to the process of confirming the event: it has to be checked that the enterprise has not been reactivated (or had no employees) in the two years following its death.

Employment data for Canada, Israel and the United States refer to the number of employees. In Figure 4.9, 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 deaths and indicators derived from them do not take into account the transition of an enterprise with one or more employees to an enterprise with zero employees, i.e. 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>.

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

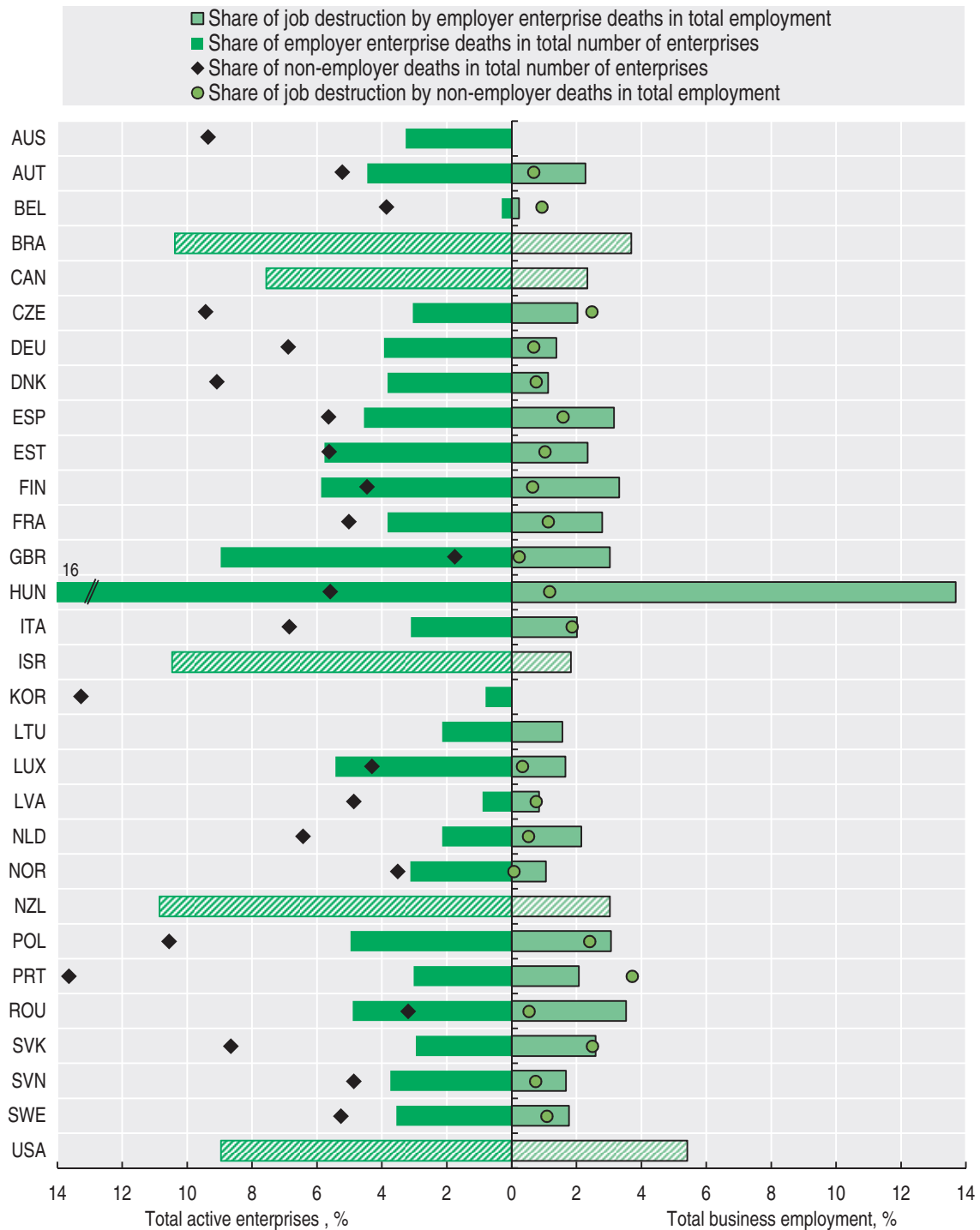
#### Further reading

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 (2010), Structural and Demographic Business Statistics, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264072886-en>.

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

Figure 4.9. Deaths of non-employer and employer enterprises and job destruction, business economy  
 Percentage, 2014 or latest available year



StatLink <http://dx.doi.org/10.1787/888933563797>

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Figure 4.10. Number of deaths of employer enterprises and non-employers, business economy  
Thousands of enterprises, 2014 or latest available year



Figure 4.11. Death rates of employer enterprises, business economy

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

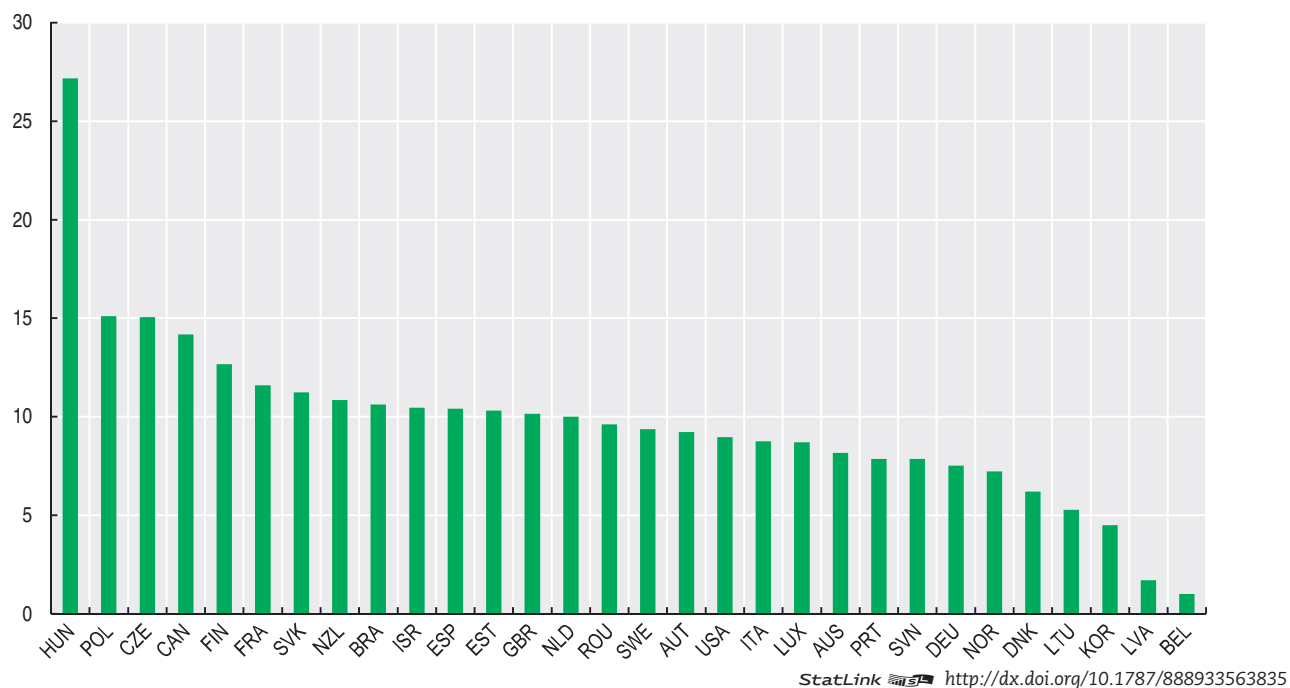


Figure 4.12. **Death rates of employer enterprises, by main sector**  
 Percentage of active employer enterprises in each sector, 2014 or latest available year

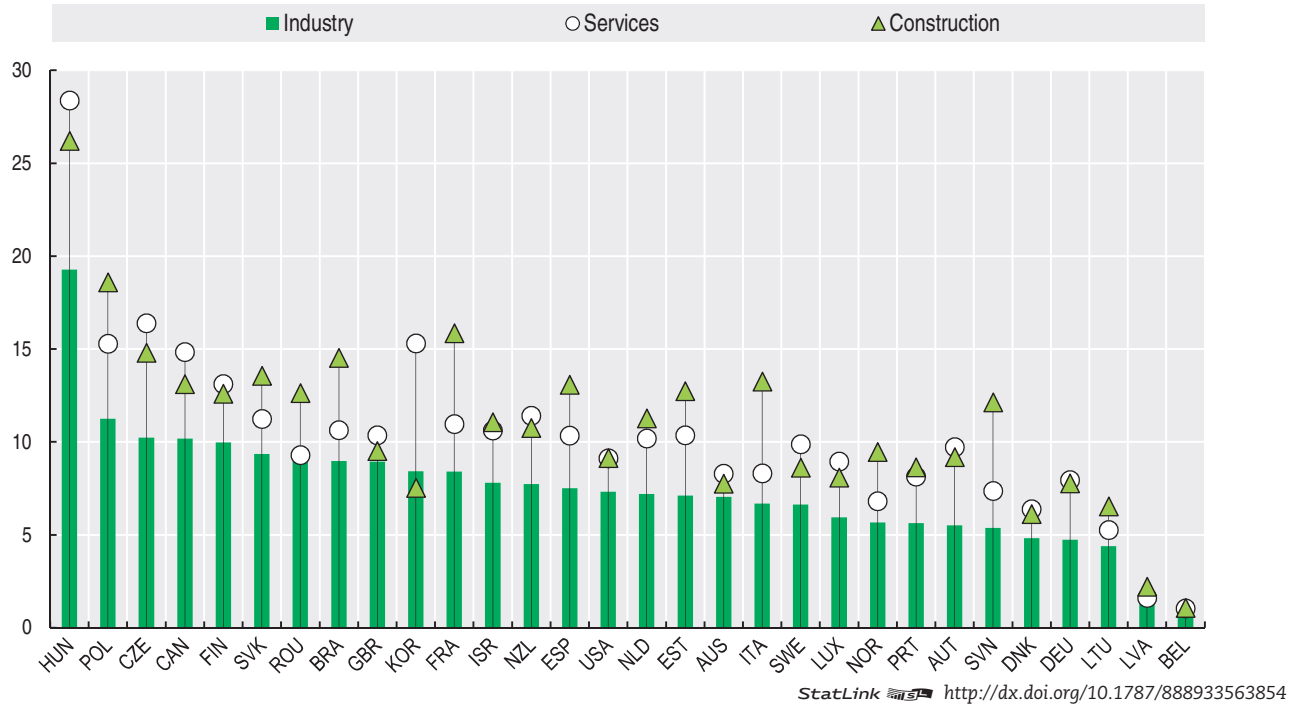
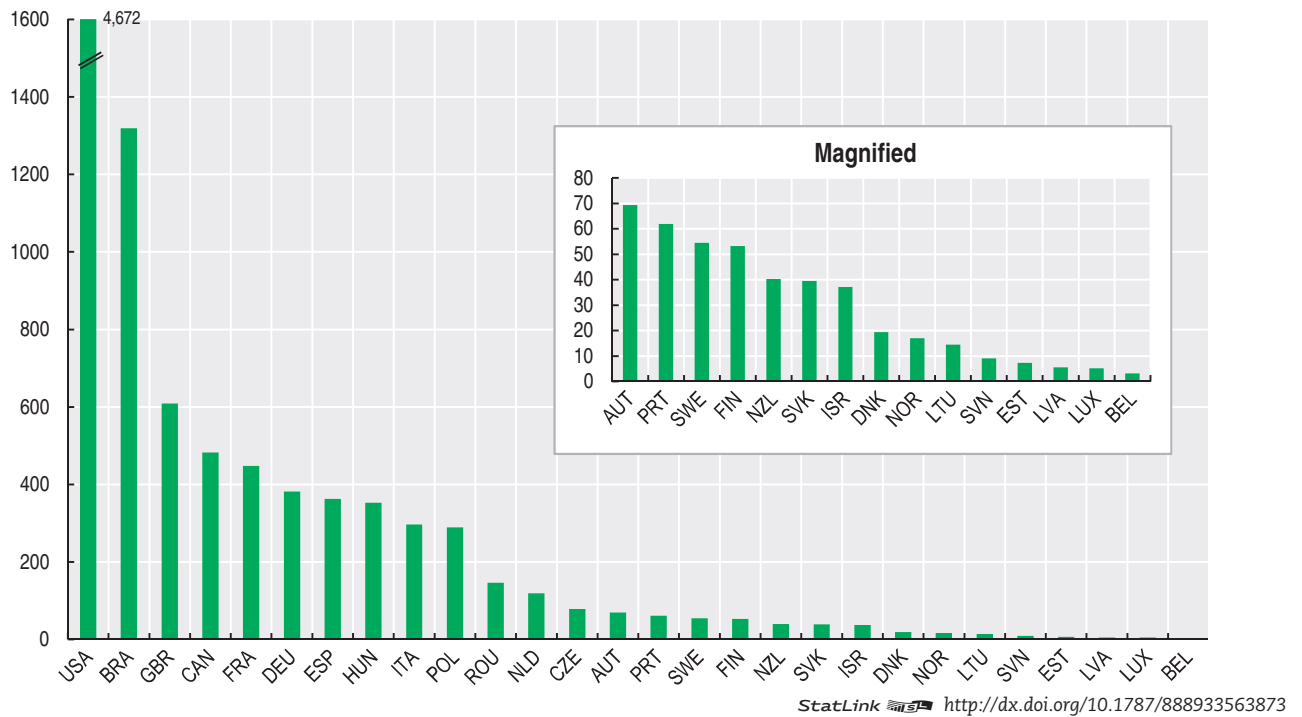


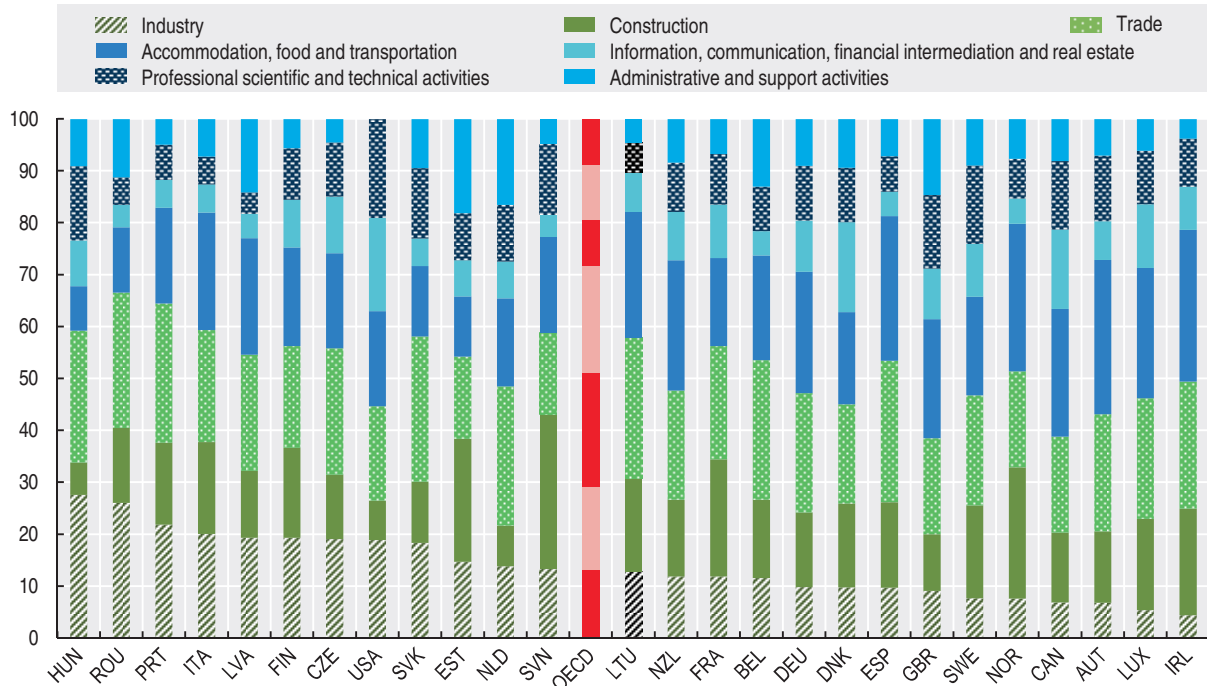
Figure 4.13. **Job destruction by employer enterprise deaths, business economy**  
 Number of persons employed, thousands, 2014 or latest available year



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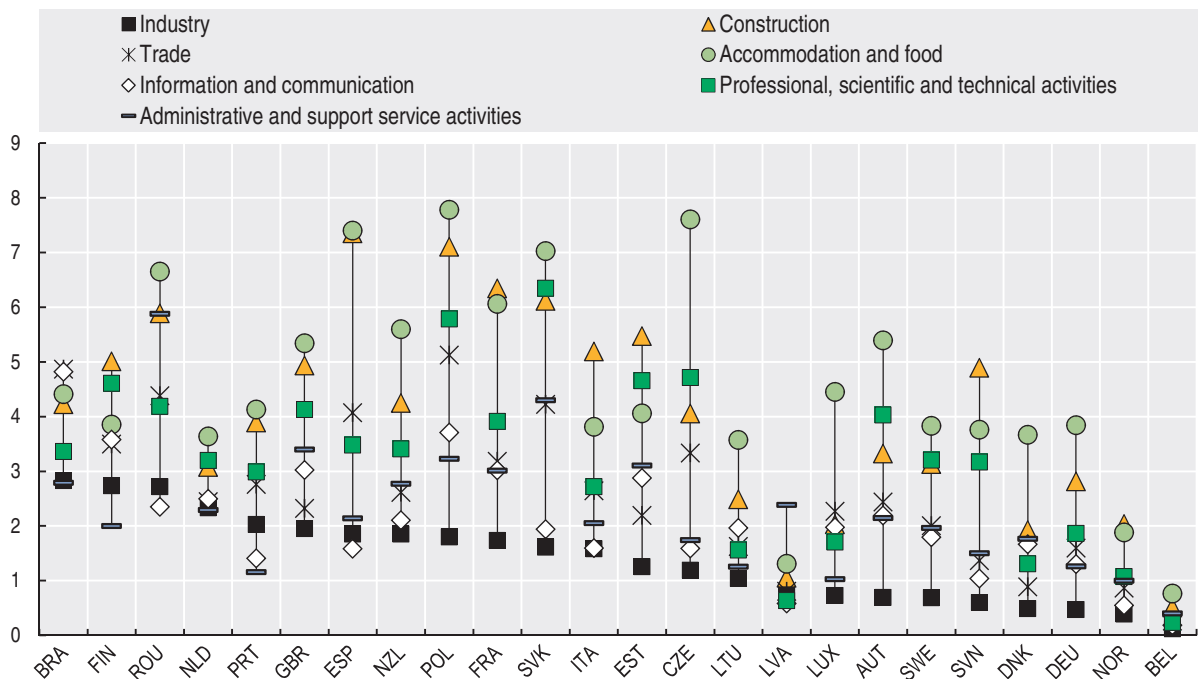
Figure 4.14. **Job destruction by death of employer enterprises, by main sector**  
Percentage of total job destruction in the business economy, 2014, or latest available year



StatLink <http://dx.doi.org/10.1787/888933563892>

Figure 4.15. **Job destruction rate by economic activity**

Employment in employer enterprise deaths as percentage of total employment, business economy, 2014, or latest available year



StatLink <http://dx.doi.org/10.1787/888933563911>

Figure 4.16. Deaths of employer enterprises, by size and sector  
 Share of each size class in total number of employer enterprise deaths and average employment at death, 2014, or latest available year



StatLink <http://dx.doi.org/10.1787/888933563930>



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