

Reader's guide

This reader's guide provides information and methodological notes on the data sources used in this book: 1) OECD-Eurostat Entrepreneurship Indicators Programme, 2) Eurostat Labour Force Survey, 3) Global Entrepreneurship Monitor, 4) Eurostat Statistics on Income and Living Conditions, and 5) Eurofound European Working Conditions Survey.

This section provides information on the main data sources used in this book. It also provides methodological notes and explains the key statistical concepts used. Links and references are provided for readers who wish to obtain further information.

It is important to note that since this book draws on several data sources, the concepts and definitions used in the different sources are not always consistent. This is most apparent when presenting data by age. For example, Eurostat covers people in the labour force survey as young as 15 years old. Thus, Eurostat defines youth as those 15-24 years old. Other data sources, such as the Global Entrepreneurship Monitor survey those 18-64 years old and consequently define youth differently. The Global Entrepreneurship Monitor defines youth as those aged 18-30 years old. The same issue arises for data covering older entrepreneurs. Efforts are made to harmonise the data reported to the greatest extent possible but differences remain. The figures and text clearly highlight the definitions presented and discussed.

OECD-Eurostat Entrepreneurship Indicators Programme

The OECD-Eurostat Entrepreneurship Indicators Programme (EIP), jointly conducted by the OECD Statistics Directorate and Eurostat, is aimed at the development of policy-relevant and internationally-comparable indicators of entrepreneurship to support analytical and policy work on entrepreneurship. To that purpose, the programme has developed a *framework for addressing and measuring entrepreneurship* and a *methodology for the production of harmonised entrepreneurship statistics*. The framework introduces a conceptual distinction between entrepreneurial performance (i.e. how much entrepreneurship, what type), the determinants of entrepreneurship (i.e. what factors affect entrepreneurial performance), and the social and economic impacts of entrepreneurship.

A characterising feature of the programme, which clearly differentiates the EIP from other international initiatives, is the direct involvement of the National Statistical Offices (NSOs) of OECD, other European Union and partner countries in the production of harmonised statistics on entrepreneurship. The production has so far concerned a core set of indicators of entrepreneurial performance, namely business demography statistics on

the birth, death, survival and growth of enterprises, as well as statistics on the contribution of firm births and deaths to employment creation and destruction. The official statistics are produced annually by the NSOs, according to the methodology of the *Eurostat-OECD Manual on Business Demography Statistics* (2007, www.oecd.org/std/39974460.pdf). The database covers approximately 25 countries and is updated annually (<http://stats.oecd.org/>).

The methodology recommends the use of business registers to compute business demography indicators. In order to increase international comparability, and in light of the exclusion of non-employer firms from the business register of some countries, the relevant statistical unit for the EIP business demography data is the enterprise with at least one employee. Employer firms are also traditionally seen as economically more relevant for their contribution to job creation and higher likelihood to innovate.

As a long-term programme, the EIP has been designed to respond to emerging information needs expressed by policy makers and the research community. In that perspective, the programme has recently addressed the question of measuring green entrepreneurship, and started a collection of indicators of women entrepreneurship. Also, to respond to the request for up-to-date, quarterly information, the programme has developed a new series of “Timely Indicators of Entrepreneurship”, which provide recent trends in new firm creations and bankruptcies. In the area of determinants, the EIP has undertaken research to deepen the understanding of the international comparability of venture capital data.

The annual publication *Entrepreneurship at a Glance* (www.oecd-ilibrary.org/industry-and-services/entrepreneurship-at-a-glance_22266941) presents the main results and developments of the EIP.

Box 1. The OECD-Eurostat definition of entrepreneurship

The OECD-Eurostat Entrepreneurship Indicators Programme, launched in 2006, has developed definitions of the entrepreneur, entrepreneurship and entrepreneurial activity for the purpose of supporting the development of related indicators. The programme acknowledges the contention and different perspectives between researchers who confront this issue. It deliberately adopts a pragmatic approach based on two principles, relevance and measurability. Importantly, the definitions set out by the OECD and Eurostat emphasise the dynamic nature of entrepreneurial activity and focus attention on action rather than intentions. They are proposed to guide the collection and analysis of data sets:

Entrepreneurs are those persons (business owners) who seek to generate value, through the creation or expansion of economic activity, by identifying and exploiting new products, processes or markets.

Entrepreneurial activity is the enterprising human action in pursuit of the generation of value, through the creation or expansion of economic activity, by identifying and exploiting new products, processes or markets.

Entrepreneurship is the phenomenon associated with entrepreneurial activity.

These definitions differentiate entrepreneurial activity from “ordinary” business activity, and additionally: i) indicate that corporations and other enterprises can be entrepreneurial, though only the people in control and owners of organisations can be considered entrepreneurs, ii) emphasise that entrepreneurial action is manifested rather than planned or intended, iii) do not equate entrepreneurial activity with the formation of any particular “vehicle”, whether formal, such as an incorporated entity, or informal, although they do allow measurement to reflect particular vehicles as embodying entrepreneurial activity, and iv) although defined in the context of businesses they incorporate economic, social and cultural value created.

Source: Ahmad, A. and R. Seymour (2008), “Defining Entrepreneurial Activity: Definitions Supporting Frameworks for Data Collection”, *OECD Statistics Working Papers 2008/1*, OECD Publishing.

Box 2. The Entrepreneurship Indicators Programme (EIP) framework for addressing and measuring entrepreneurship

The EIP recognises that no single indicator can adequately cover the complexity of entrepreneurship, and it has therefore developed a set of measures to capture different aspects or different types of entrepreneurship. These measures are referred to as indicators of entrepreneurial performance and are conceived to assist the analysis of key questions such as: *What is the rate of creation of new businesses in a country? How many jobs do they create? How many start-ups survive in the first years following creation? Will young firms innovate or export? Are there more firms created by men or women? Do they set up businesses in the same sectors?*

Also, the programme takes a more comprehensive approach to the measurement of entrepreneurship by looking not only at the manifestation of the entrepreneurial phenomenon but also at the factors that influence it. These factors range from market conditions and regulatory frameworks, to culture and conditions of access to finance. Some of the determinants are more easily measured (e.g. the existence and restrictiveness of anti-trust law or the administrative costs to set-up a new business in a country), while for other determinants the difficulty resides in finding suitable measures (e.g. venture capital and angel capital) and/or in comprehending the exact nature of their relationship with entrepreneurship (e.g. culture). The EIP aims to advance research on these less understood, less measurable determinants of entrepreneurship.

Determinants						Entrepreneurial performance	Impact
Regulatory framework	Market conditions	Access to finance	Knowledge creation and diffusion	Entrepreneurial capabilities	Culture	Firm based	Job creation
Administrative burdens for entry	Anti-trust laws	Access to debt financing	R&D investment	Training and experience of entrepreneurs	Risk attitude in society	Employment based	Economic growth
Administrative burdens for growth	Competition	Business angels	University/ industry interface	Business and entrepreneurship education (skills)	Attitudes towards entrepreneurs	Wealth	Poverty reduction
Bankruptcy regulations	Access to the domestic market	Access to VC	Technological co-operation between firms	Entrepreneurship infrastructure	Desire for business ownership		Formalising the informal sector
Safety, health and environmental regulations	Access to foreign markets	Access to other types of equity	Technology diffusion	Immigration	Entrepreneurship education (mind-set)		
Product regulation	Degree of public involvement	Stock markets	Broadband access				
Labour market regulation	Public procurement			Firms	Employment	Wealth	
Court and legal framework				Employer enterprise birth rates	Share of high growth firms (by employment)	Share of high growth firms (by turnover)	
Social and health security				Employer enterprise death rates	Share of gazelles (employment)	Share of gazelles (by turnover)	
Income taxes; wealth/bequest taxes				Business churn	Ownership rate start-ups	Value added, young or small firms	
Business and capital taxes	Patent system; standards			Net business population growth	Ownership rates business population	Productivity contribution, young or small firms	
				Survival rates at 3 and 5 years	Employment in 3 and 5 year old firms	Innovation performance, young or small firms	
				Proportion of 3 and 5 year old firms	Average firm size after 3 and 5 years	Export performance, young or small firms	

Source: OECD (2016), *Entrepreneurship at a Glance 2016*, OECD Publishing, Paris.

Eurostat Labour Force Survey

The Eurostat Labour Force Survey is a monthly household survey in all EU Member States that captures information on labour market activities (Eurostat, 2017a). This report focuses on the self-employment data available from the Labour Force Survey. Eurostat defines self-employed people as those who work in their own business, farm or professional practice and receive some form of economic return for their labour. This includes wages, profits, in-kind benefits or family gain (for family workers). Volunteer workers are excluded from this definition. The purpose of the business has no bearing on the self-employment status of individuals; in other words the business could have profit motives or be a non-profit or social enterprise.

It is possible for self-employed workers to own a business with one or more people. This does not have an impact on their status as a self-employed person as long as they are working directly for the business. In these cases, there could be more than one self-employed person in the same business. For example, each member of a partnership would be counted as self-employed as long as the business was their principal labour market activity. However, business owners are excluded from the count of self-employed people if they are not involved in the day-to-day operation of the business.

There are different self-employment concepts:

- *Own-account self-employed* are those self-employed people that do not have other employees working for them;
- *Employers* are self-employed people that have employees;
- The *self-employment rate* is defined as the number of self-employed people, both own-account self-employed and employers (i.e. self-employed people with employees), relative to the number of employed people.

For more information on the Eurostat Labour Force Survey, please refer to: <http://ec.europa.eu/eurostat/web/labour-market/methodology>.

The Global Entrepreneurship Monitor

The Global Entrepreneurship Monitor (GEM) is an international initiative that measures entrepreneurship activities and attitudes around the world through annual household surveys of the adult population (ages 18 and older) in participating countries. It provides responses from interviewed adults on their reported attitudes towards entrepreneurship, their pre-start-up activities, their work on the initial phase of their firm, their involvement in the established phase of the firm and their business closures. Since 1999, nearly 100 countries have been surveyed.

Unlike business enterprise surveys, the GEM surveys households (people) so it can identify those involved in different phases of entrepreneurship. Since the unit of analysis in this survey is the individual rather than the enterprise, it allows for the collection of information on entrepreneurial motivations, aspirations and other individual characteristics.

The GEM adult population survey covered 65 countries in 2016, the most recent year for which data are available. The sample size in each country ranges from approximately 2 000 in most countries (a small number of surveyed countries had sample sizes of approximately 1 600) to 22 000 in Spain. To improve the reliability of the results for the different social target groups (i.e. men, women, youth and seniors), data presented in this

report were pooled (i.e. combined) for each country over the years 2012 to 2016. Over the 2012-16 period, all European Union Member States were surveyed except for Malta. The total sample size for all European Union countries covered over this period was 374 941. Survey responses are weighted by age and gender to make the results representative of the national population.

Several GEM indicators are presented in this report:

- The *Nascent Entrepreneurship Rate* is the proportion of the population that is actively involved in setting up a business they will own or co-own; this business has not paid salaries, wages or any other payments to the owners for more than three months.
- The *New Business Ownership Rate* is the proportion of the population that is currently an owner-manager of a new business that has paid salaries, wages or any other payments to the owners for more than three months, but not more than 42 months.
- The most well-known measure that the GEM publishes is the *Total Early-stage Entrepreneurial Activity (TEA) Index*, which is the sum of the proportion of the population involved in nascent entrepreneurship activities and those who have started new business within the last 42 months. This is a measure of the stage in advance of the start of a new firm (nascent entrepreneurship) and the stage directly after the start of a new firm (owning-managing a new firm).
- The GEM's *Established Business Ownership Rate* measures the proportion of the population that is currently an owner-manager of an established business that has paid salaries, wages or any other payments to the owners for more than 42 months. This measure provides information on the stock of businesses in an economy.

Box 3. Distinctions between self-employment and business creation and ownership data

The self-employment data presented in this book come from the Eurostat Labour Force Survey. Those data cover owner-managers of businesses who pay themselves profits or salaries from work that they undertake on their own account in the business and who declare themselves as self-employed. Self-employment data pick up people who generally employ only themselves or very few people in non-incorporated businesses. People running larger incorporated businesses generally do not declare themselves self-employed because they appear on the payrolls of their businesses and are therefore considered employees. The data also exclude individuals who are in the process of setting up a business but have not yet realised its creation and business owners who are not active in the day-to-day operations of the business.

Other data in this book come from the Global Entrepreneurship Monitor. These data cover individuals who report that they are actively trying to start or are already operating their own business or any type of self-employment or selling goods or services to others. This is a broader definition than that used for the self-employment data. Self-employed people are included together with all other types of business owners. In particular, owner-managers of incorporated businesses are included here, whereas they are excluded from the self-employment data. The Global Entrepreneurship Monitor also includes individuals who may be running businesses as a secondary activity, whereas the data from the Labour Force Survey report on the principal labour market activity. Therefore, the self-employment counts will only capture those who spend more time in self-employment than employment, whereas the GEM data include part-time entrepreneurs.

For more information on methodologies used by the Global Entrepreneurship Monitor, please refer to the 2016-17 GEM Global Report (GEM, 2016), available at: <http://gemconsortium.org/report>.

Eurostat Statistics on Income and Living Conditions

The European Union Statistics on Income and Living Conditions (EU-SILC) is a framework that allows for the collection of timely and comparable data on income, poverty, social exclusion and living conditions (Eurostat, 2017b). The data are collected in all 28 European Union Member States, as well as in Iceland, Norway, Switzerland and Turkey.

Two types of annual data are collected. Cross-sectional data are collected pertaining to a given time or a certain time period with variables on income, poverty, social exclusion and other living conditions. In addition, longitudinal data are collected pertaining to individual-level changes over time, observed periodically over a four-year period. Social exclusion and housing condition data are gathered from households and labour, education and health information is gathered from individuals.

For more information on Statistics on Income and Living Conditions, please see: <http://ec.europa.eu/eurostat/web/income-and-living-conditions/methodology>.

Eurofound European Working Conditions Survey

The sixth European Working Conditions Survey (EWCS) was conducted in 2015. The survey covers those 15 years old and older that were in employment at the time of the survey. People were considered in employment if they had worked for pay or profit for at least one hour in the preceding week. The survey was undertaken in 35 European countries (all 28 European Union Member States plus Croatia, Turkey, the former Yugoslav Republic of Macedonia, Albania, Montenegro, Kosovo and Norway). Approximately 44 000 people were interviewed.

The main topics covered in the sixth EWCS include physical environment of work; working time quality; work intensity; social environment; skills and discretion; earnings and career prospects; sustainability of work; work-life balance and financial security; health and well-being.

For more information on the EWCS, please see the overview report for the 6th EWCS (Eurofound, 2016), available at: www.eurofound.europa.eu/sites/default/files/ef_publication/field_ef_document/ef1634en.pdf.

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