

### Young enterprises

#### Key findings

- Many newly-created enterprises fail within the first few years of life, although there are important differences across countries. The one-year survival rate of employer enterprises born in 2013 was above 90% in Sweden, the United States, Luxembourg, Lithuania and the United Kingdom, but between 60% and 70% in the Czech Republic and Poland, and below 55% in the Slovak Republic.
- Survival rates are typically higher in industry than in services or construction, and for enterprises born with five employees or more.

#### Definitions

The number of n-year survival enterprises for a particular year t refers to the number of enterprises which had at least one employee for the first time in year t-n and remained active in year t. This definition of survival excludes cases in which enterprises merge or are taken over by an existing enterprise in year t-n.

The employer enterprise survival rate in sector (class size) x measures the number of enterprises of a specific birth cohort in sector (size class) x that have survived over different years. The n-year employer enterprise survival rate for a reference year t is calculated as the number of n-year survival enterprises as a percentage of all enterprises that reported at least one employee for the first time in year t-n.

The share of n-year-old employer enterprises for a particular year t refers to the number of n-year survival enterprises as a percentage of the total employer enterprise population in year t.

Employer start-ups, as defined in this publication, include all employer enterprises that are up to two years old, i.e. the newly-born enterprises plus those that are one and two years old.

The employment share of employer start-ups refers to the number of persons employed by the population of employer enterprises that have existed for up to two years, divided by the total number of persons employed in all employer enterprises.

The average size of employer start-ups is expressed as the number of persons employed in employer start-ups in the reference period (t), divided by the number of employer start-ups in t.

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

- In 2014 start-ups accounted for around 20% or more of all employer enterprises in all countries apart from Belgium, and for more than 30% in the United Kingdom, Hungary, Brazil, Israel and Poland.
- In 2014 start-ups represented less than 10% of business employment in most countries.

#### Relevance

Observing the post-entry performance of firms is as important as analysing their birth rate. Very high failure rates can act as a disincentive to both budding entrepreneurs as well as potential creditors, which could hinder long-term growth and innovation. The study of employment shares in young surviving enterprises contributes to the understanding of the role that different firms have in overall employment changes in the economy.

#### Comparability

Data presented refer to the whole population of employer enterprises. For Canada, Israel and the United States statistics on employment in employer enterprise births and surviving enterprises refer to the number of employees and not to the persons employed.

Employer enterprise survival statistics in this publication are compiled according to the definition recommended by the Eurostat-OECD Manual on Business Demography Statistics (2008).

For Australia, Korea and Mexico, enterprise births and indicators derived from them do not take into account the transition of an enterprise with zero employees to an enterprise with one or more employees or vice versa, 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/sdb-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>.

Decker, R. A., J. Haltiwanger, R.S. Jarmin and J. Miranda (2016), “Where has all the skewness gone? The decline in high-growth (young) firms in the U.S.”, *European Economic Review*, <http://www.nber.org/papers/w21776>.

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

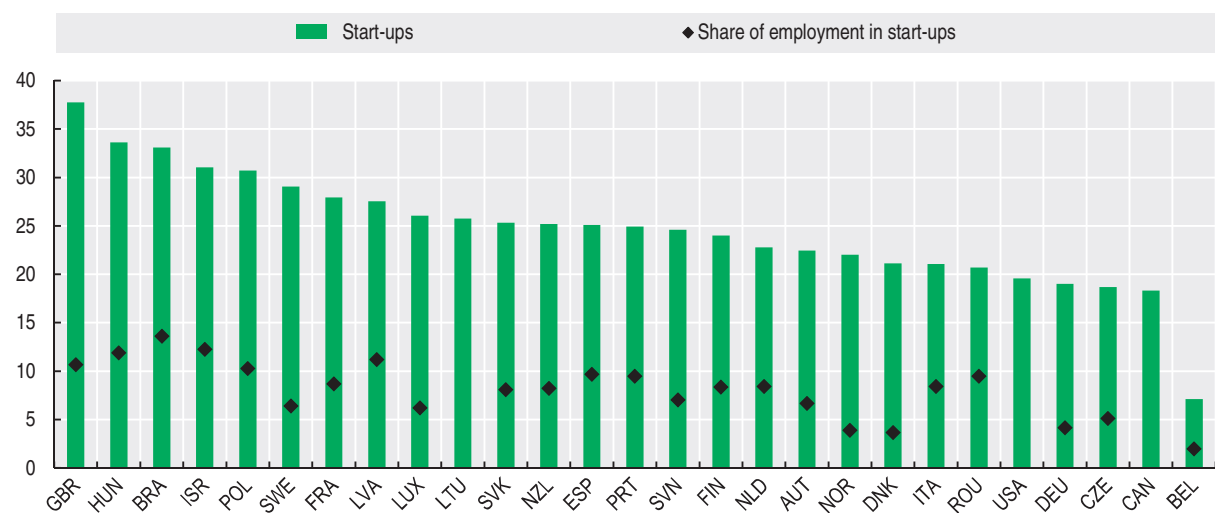
Figure 4.20. Survival rate of one-year old employer enterprises

Percentage, 2013 cohort

StatLink <http://dx.doi.org/10.1787/888933564006>

Figure 4.21. Share of start-ups and their employment, business economy

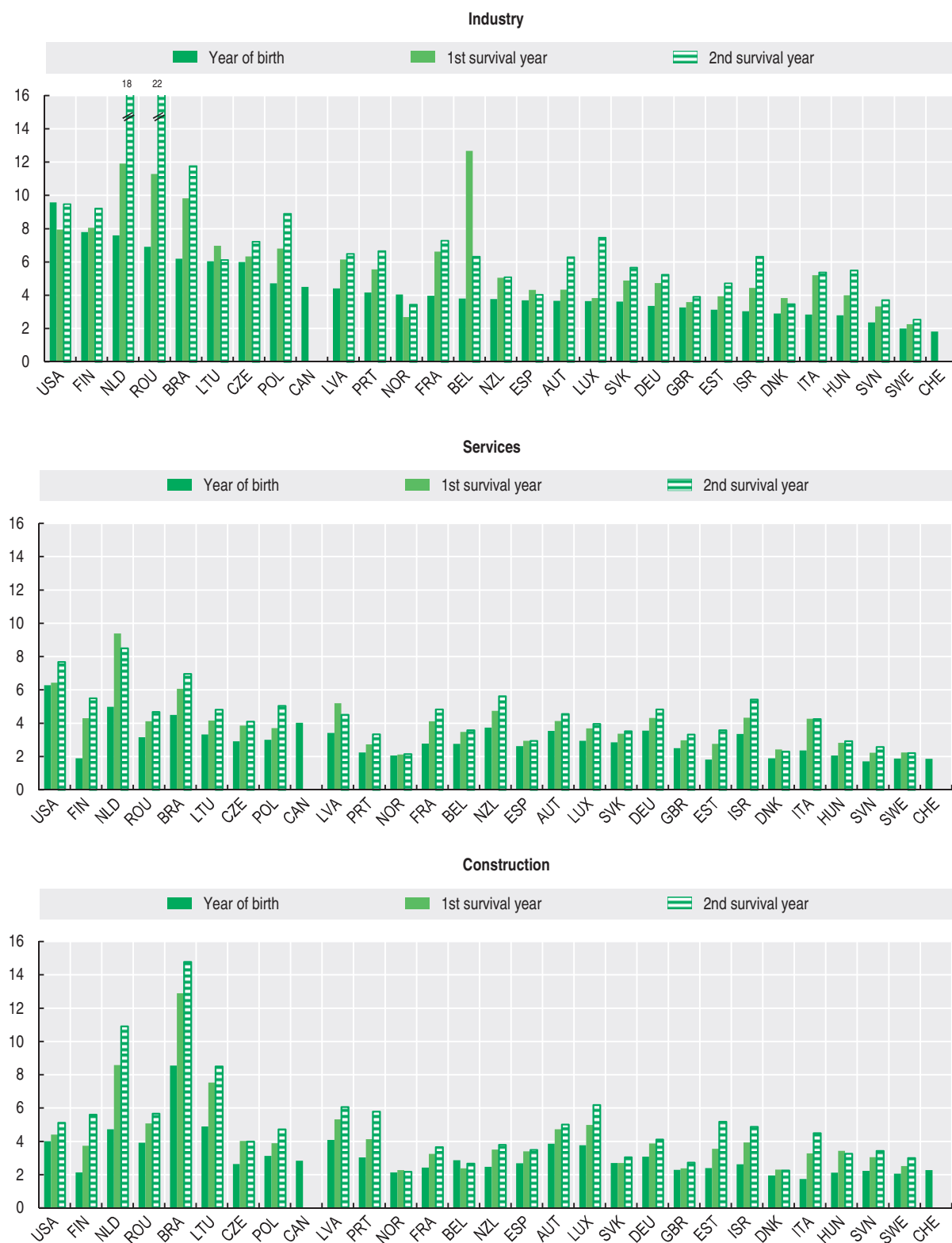
Percentage of all employer enterprises and of employment in all employer enterprises, 2014 or latest available year

StatLink <http://dx.doi.org/10.1787/888933564025>

## 4. BUSINESS DYNAMICS AND JOB CREATION

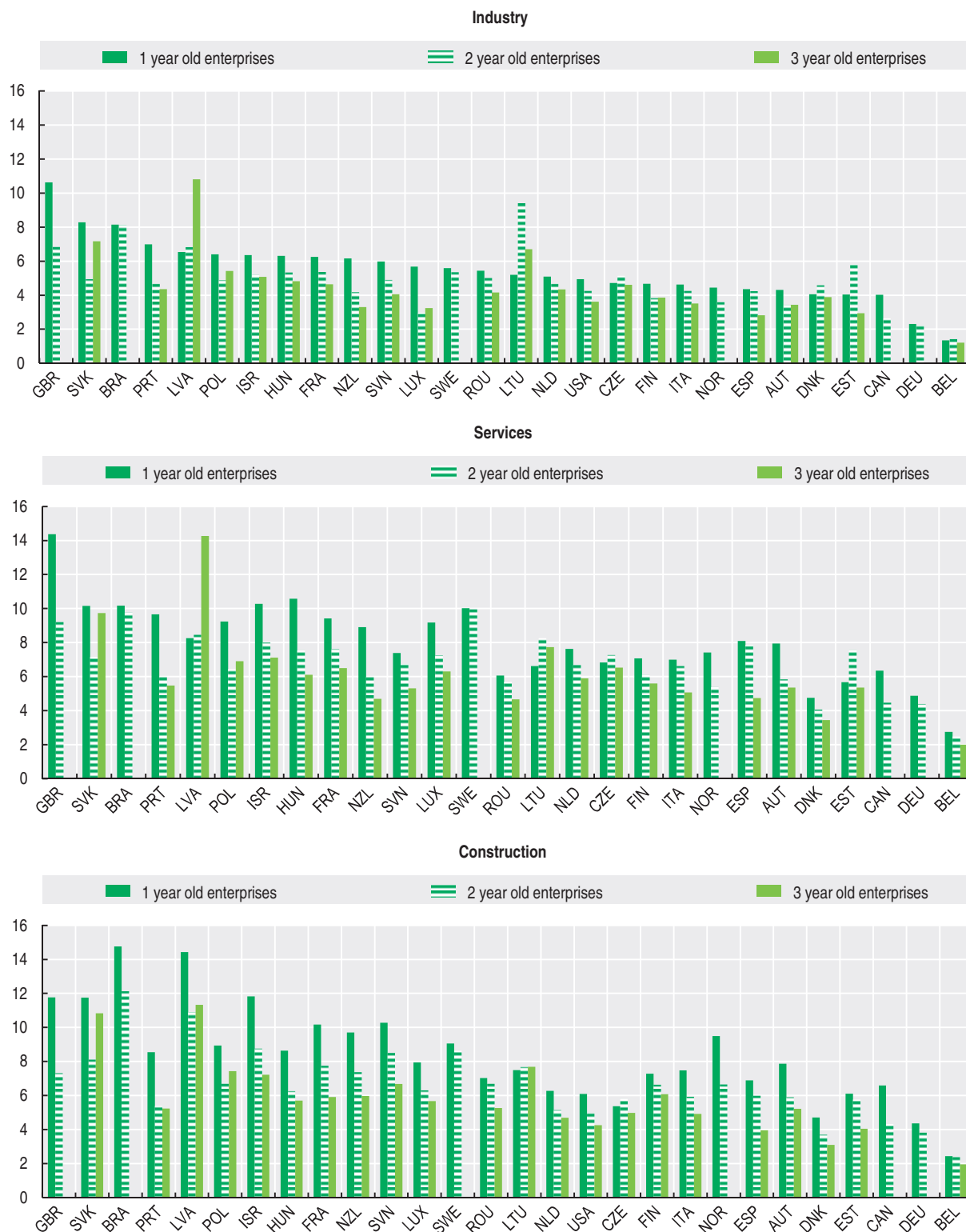
### Young enterprises

Figure 4.22. **Average size of employer start-ups**  
Employment in 0-2 year old enterprises over number of enterprises, 2014, or latest available year

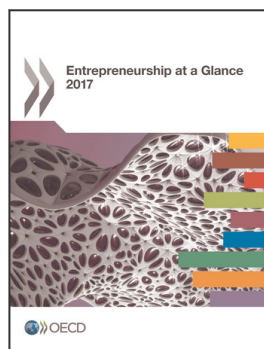


StatLink <http://dx.doi.org/10.1787/888933564044>

Figure 4.23. **Share of young employer enterprises in business population**  
Percentage of all employer enterprises, 2014, or latest available year



StatLink <http://dx.doi.org/10.1787/888933564063>



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