

## Executive summary

In most OECD countries where data are available, numbers of new firm creations continue to recover, and in many countries are above pre-crisis highs, suggesting that any secular decline in enterprise creation rates may be abating.

Improvements in bankruptcy trends reinforce the signals of an upturn in the entrepreneurial environment. At the end of 2016 the number of bankruptcies was back to, or below, pre-crisis levels, in most countries. And even in countries where bankruptcy levels remained higher than in 2007, in particular Iceland, Italy and Spain, early 2017 trends are beginning to point to improvements.

### Services have been an important driver of firm creation

In all OECD countries enterprise creation rates in services outpaced those for industrial firms, contributing around two-thirds of all jobs created by new firms in 2014. But in most economies new industrial firms contributed less than 15% of jobs created. Moreover, between 2008 and 2014 employment in manufacturing decreased in all but two OECD countries: Luxembourg and Germany.

Employment rates have also recovered in many countries, and, in most, SMEs, young and old, have been the main drivers of growth. Within manufacturing, employment growth in large enterprises in the euro area, which were less affected by the crisis than SMEs, has continued to outperform that for SMEs. In the United States the opposite has been the case, with large service sector enterprises driving post-crisis employment growth.

Productivity differences between larger and smaller firms vary considerably across countries and across sectors. In general however, productivity gaps are much smaller in the services sector than they are in manufacturing. Typically the larger the productivity gap the larger the wage gap - in Germany, for example, large firms paid a wage premium of over 50% of medium-size firms and over double that of smaller and micro enterprises – so growth in services sector activities may help to reduce the size of whole economy wage distributions.

A more entrepreneurial services sector may also help to continue to reduce gender inequalities, as women disproportionately engage in service sector start-ups. Over the last ten years the gap between male and female self-employment rates has closed in nearly all countries. But significant gender gaps remain: in OECD countries, one in ten employed women is self-employed, almost half the rate of self-employed men (17%).

### Wage gaps in manufacturing are increasing in many countries

In many countries, post-crisis labour productivity growth in SMEs in the manufacturing sector lagged large enterprises, exacerbating existing productivity gaps, especially in Belgium, the Czech Republic, Germany, Latvia and the Slovak Republic. In turn, wage gaps

between larger and smaller manufacturing firms increased in all OECD Eastern European countries - except Poland-, the Baltic States, Norway and the United Kingdom between 2008 and 2014

### **Digital tools have provided new pathways and unlocked new markets for micro-entrepreneurs**

The development of affordable digital tools and platforms has provided new opportunities for micro-enterprises to tap into foreign markets in a way that would previously have been unimaginable.

New data from the *Future of Business Survey*, a joint Facebook-OECD-World Bank monthly survey of SMEs with a digital presence, show that even “just me” entrepreneurs (i.e. self-employed with no employees) can engage in exports as a major activity for their business, by capitalising on digital tools, despite their small scale. Two in three exporting firms responded that more than half of their international sales depended on online tools and nearly half (45%) reported that more than 75% of their international sales were reliant on online tools.

The most recent data from the *Future of Business Survey* also confirm previous findings that businesses that trade internationally are more confident in the current state and future outlook of their businesses, and are also more likely to have positive prospects of job creation. This is also true for “just-me” entrepreneurs who are traders. That said, the survey also reveals that large firms generally have a more positive evaluation of the state of their business than smaller firms. This reflects important challenges faced by micro-enterprises in running and growing their business, such as compliance with regulations, securing financing, recruiting and retaining skilled employees, and finding business partners.

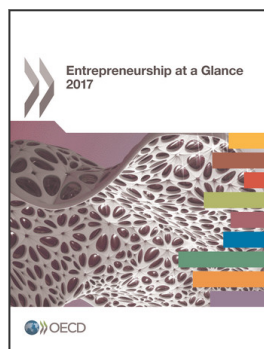
### **The emergence of “gig workers”**

A generalised trend across most countries has been the growth in numbers of self-employed working only part-time. Part-time self-employment has increased considerably in the past decade, in part reflecting new opportunities presented by the emergence of the “gig economy”, i.e. the rising phenomenon of flexible employment arrangements, that complement or substitute for full-time jobs. While gigs themselves are not new (the entertainment industry, for instance, has always relied on them), today they are being offered and demanded by a larger and more diverse group of people and cover a wider range of services than ever before.

The emergence of gig workers raises new questions on the appropriateness of self-employment rates or levels as proxies for the size of entrepreneurialism, as the relationship between the gig economy and entrepreneurial activity is by no means obvious. Participants in the gig economy may be small-scale entrepreneurs, but many of the gig workers provide their services under conditions that share strong similarities with conventional employees, in particular the absence of the entrepreneurial risk. At the same time, the flexibility that gigs offer do often contrast with traditional salaried employment and may encourage nascent entrepreneurs to implement their start-up ideas while still being able to cover living expenses.

Measurement challenges therefore exist in assessing the contribution of gig workers to entrepreneurialism, with some evidence suggesting that the gig economy may sometimes decrease entrepreneurial activity, in particular when gig economy platforms act as a substitute for low-quality entrepreneurship rather than as a complement to high-quality entrepreneurship.

Addressing these measurement challenges and exploring avenues to improve the availability of data in this area will form an addition to the commitment of this publication to provide better data for the measurement of entrepreneurship. Other on-going efforts in this regard include profiling new enterprises according to their ownership and trading status and integration into global value chains, the development of improved data on gender, and, also, more generally, with regards to highlighting statistical pitfalls and caveats in the use of entrepreneurship data.



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