

### Capital regions as drivers of economic activity and firm creations

*Capital regions are centres of entrepreneurship: firm creation as well as the number of jobs created and destroyed each year is 60% higher than elsewhere.*

Capital regions are hubs of economic growth and innovation. In 2015, capital regions accounted for 20% of the national population but hosted 27.5% of all firms in their respective countries. The extraordinary importance of capital regions is also demonstrated by the economic influence they exert. In almost all OECD countries considered, employment controlled by firms in capital regions greatly exceeds the number of jobs located in those regions (Figure 1.28) (see Box on definition below). This gap is particularly large in Finland and France, where the national share of jobs controlled by firms with headquarters in Helsinki-Uusimaa and Ile-de-France is more than 10 percentage points higher than the national share of jobs that are located there.

Capitals also account for disproportionately large shares of new firms in OECD countries. 29.5% of new firms are created in capital regions surpassing their share of existing firms by 2 percentage points. The dynamism of capital regions' business environments is demonstrated when comparing their firm creation rates with the average regional firm creation rate in the rest of the country (Figure 1.29). In 13 out of the 15 countries in this study, the creation rate of new employer firms is larger in the capital than in the rest of the country. In France, Italy, and United Kingdom this difference is most visible. On average, Ile-de-France, Lazio, and Greater London record firm creation rates that are, respectively, 3.1, 4.8, and 5.7 percentage points higher than in other regions of their country. The greater dynamism of capital city regions is also reflected in the net creation rate of firms, which are 0.8 percentage points (or almost 65%) higher than in other regions of the same country.

The firm environment in capital regions is also more dynamic when compared with their populations. On average, capital regions recorded 4.5 newly founded firms per 1000 inhabitants compared to 2.8 new firms per 1,000 inhabitants in non-capital regions (Figure 1.30). In the Czech Republic and the United Kingdom, the density of new firms per capita is even twice as high in the capital region versus the rest of the country. Switzerland is the

only country where the density of new firms is lower in the capital than in the average non-capital region. As most urban areas, capital city regions have a larger service sector than non-urban areas, which tends to be more dynamic in terms of firm creations.

#### Definition – control of economic activity

Employment share of regions: the proportion of all employment nationally that is physically located in the region. Employment located in capital regions is based on establishment data that provide precise information on the place of employment of employees.

Share of employment controlled by local firms: the proportion of all employment nationally that belongs to a firm with its corporate headquarter in the region. The information is derived from enterprise level data that specify the headquarter location of firms and the accompanying level of employment by each firm.

#### Source

OECD (2017), *The Geography of Firm Dynamics: Measuring Business Demography for Regional Development*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264286764-en>.

OECD (2018), OECD Regional Statistics (database), <http://dx.doi.org/10.1787/region-data-en>.

#### Reference years and territorial level

TL2 regions in 2014 (1.27) and 2015 (1.28; 1.29).

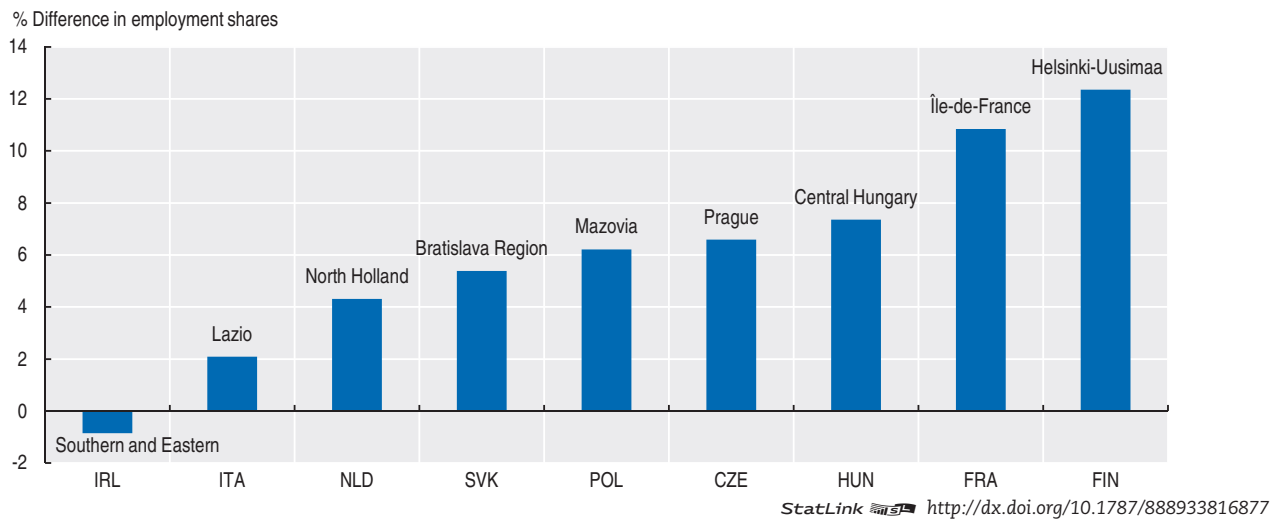
#### Figure notes

1.29-1.30: TL2 regions in 2015. Last available year: Spain and Switzerland, 2014; Denmark, 2013; Netherlands 2010. Only employer firms considered.

# 1. REGIONS AS DRIVERS OF NATIONAL COMPETITIVENESS

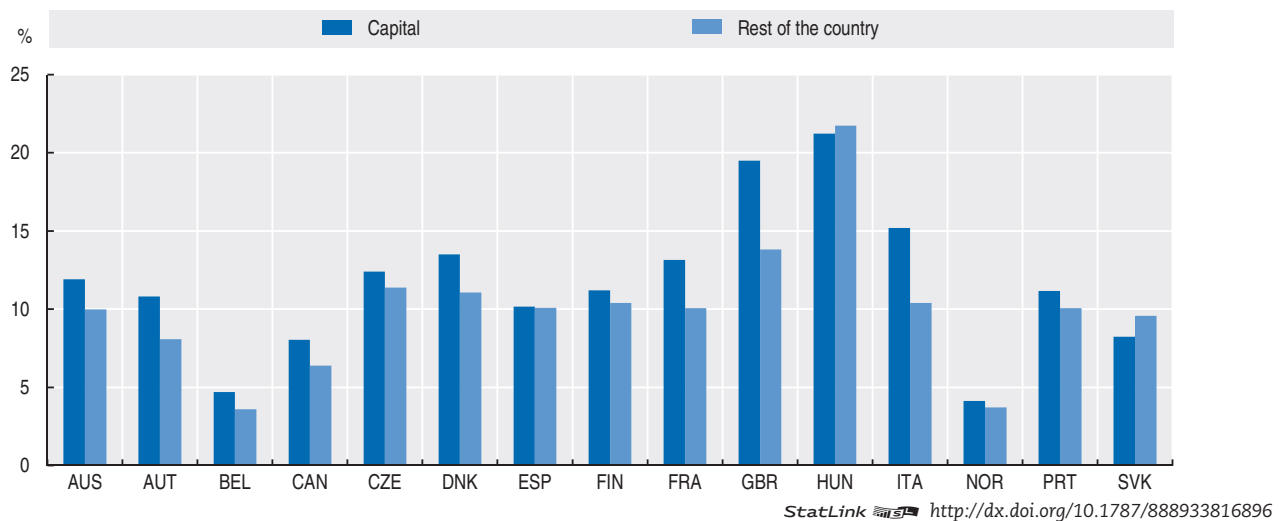
## Capital regions as drivers of economic activity and firm creations

### 1.28. Difference between employment controlled by and located in capital regions, 2014



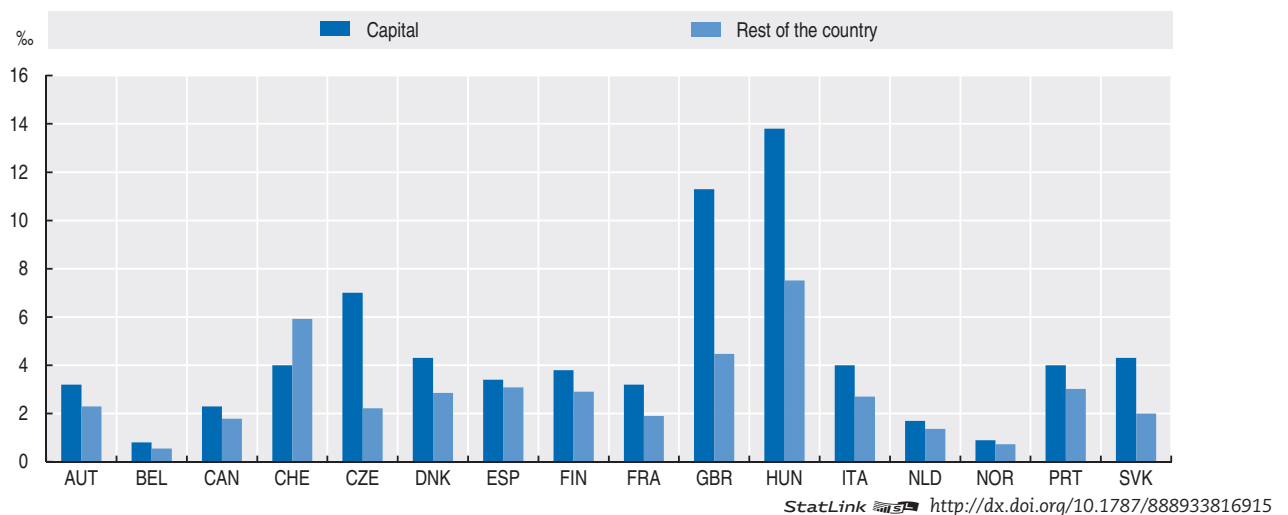
### 1.29. Firm creation rates in capital regions

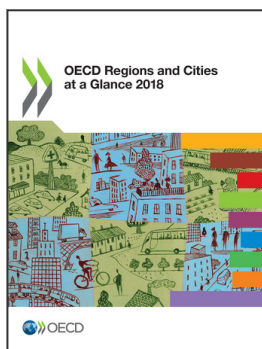
TL2 regions, 2015



### 1.30. Firm creations per capita in capitals compared to other regions, 2015

Firm creations per 1000 inhabitants in TL2 regions





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