

## New firms' employment creation in regions

*Jobs created by new firms accounted for 3.4% of employment in 2015, an increase of 17% relative to the previous year. Job creation from new firms can differ up to 5 percentage points across regions in a country.*

An essential contribution of new firms to economies is manifested through the number of jobs they create. New firms can affect employment in two ways. They provide jobs and thus directly contribute to regional employment. Additionally, new firms also have an effect on employment through indirect channels by influencing employment in firms that already exist.

In 2015, new firms (i.e. those firms created in the previous 12-month period) directly employed, on average, 3.4% of all employees in OECD regions. Employment creation by new firms increased by 17% compared to 2014. Regional differences in employment creation by new firms, measured by the range between the region with the highest and the lowest proportion of employees in new firms, were especially high in Southern Europe (Figure 1.31). In Italy, Spain, Poland, Portugal, and France (the countries with the highest regional discrepancies) the top-performing region benefitted from employment creation by new firms that was many times larger than in the bottom region. As a consequence, regional differences within countries can be significant. For instance, in Italy, job creation by new firms amounted to 1.4% of overall existing jobs in Pordenone compared to 6.6% in Isernia.

Regional differences in new firms' employment creation are related to the sectoral composition of regional economies. Regions that were more concentrated on tradable sectors recorded higher average net employment creation by the replacement of old with new firms over the past three years than regions with stronger focus on non-tradable sectors (Figure 1.32).

Not all new firms create jobs. While firms that do not have any employees – so-called non-employer firms – may eventually grow and start employing, they initially do not contribute to regional employment and may only emerge due to tax incentives that differ across countries. The creation of employer firms is slightly higher in rural regions, where they make up almost 47% of all new firms, than in urban regions (Figure 1.33). The relative importance of non-employer firms for regional firm creation differs starkly across countries. In United Kingdom, Finland, or Estonia a large majority of new firms are employer firms,

whereas Norway and Latvia primarily record creations of non-employer firms.

### Definition of employment

**Employees:** Persons who work for a firm receiving compensation in the form of wages, salaries, fees, gratuities, piecework pay or remuneration in-kind. Employees are also included in the number of persons employed.

**Employment creation rate:** The ratio of employees in new firms versus employees in all firms.

**Employer enterprise:** An enterprise having a positive number of employees in any part of the year.

**Non-employer enterprise:** An enterprise having no employees in any part of the year. The enterprise can have a positive number of persons employed (working proprietors, partners working regularly).

### Source

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

### Reference years and territorial level

1.31-1.33: TL3 regions in 2015.

### Further information

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

### Figure notes

1.31: Last available years: Denmark and Spain, 2013; Portugal 2016. TL2 regions in Canada and the Netherlands.

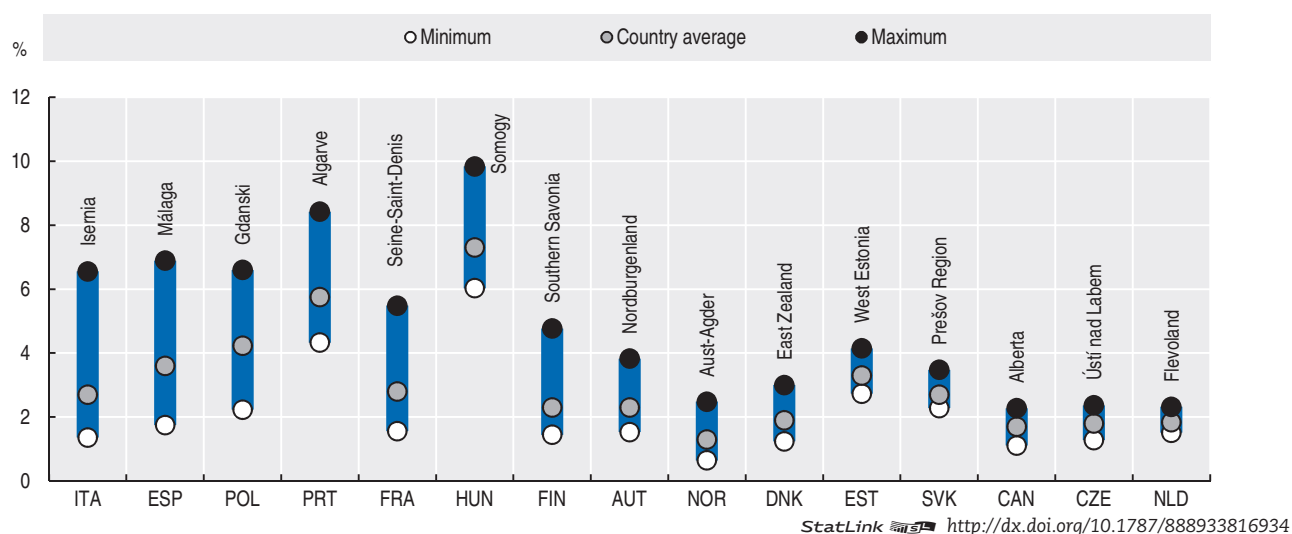
1.32: Last available years: Denmark, Portugal, and Spain, 2013. TL2 regions in Canada and the Netherlands.

1.33: 2015 or latest available year: 2010 Estonia; 2013 Denmark; 2014 Latvia and Spain.

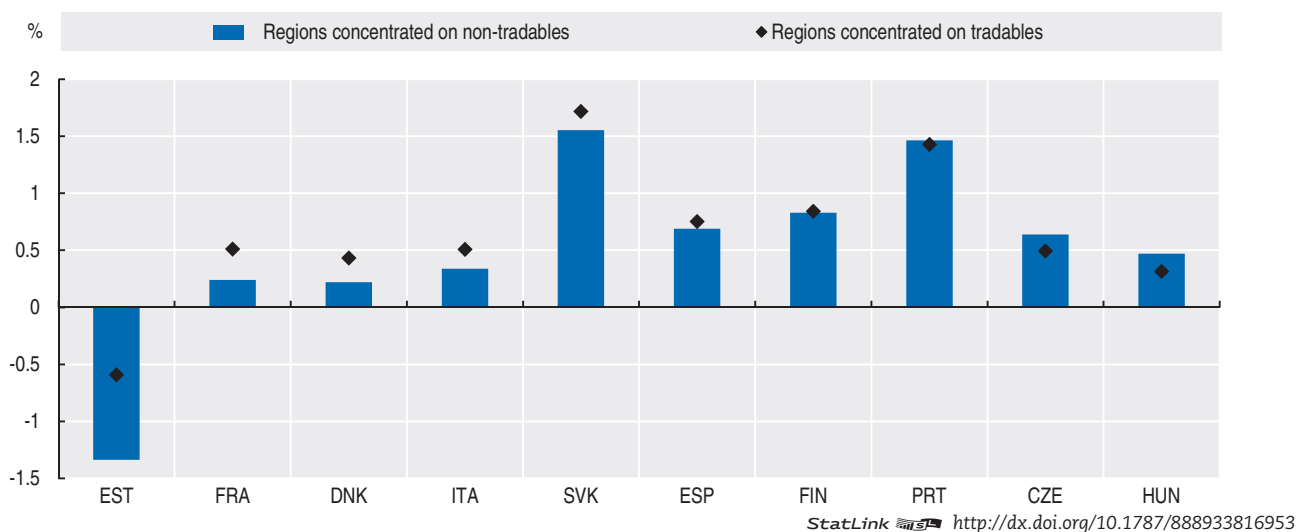
# 1. REGIONS AS DRIVERS OF NATIONAL COMPETITIVENESS

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1.31. Employment creation by new firms, 2015

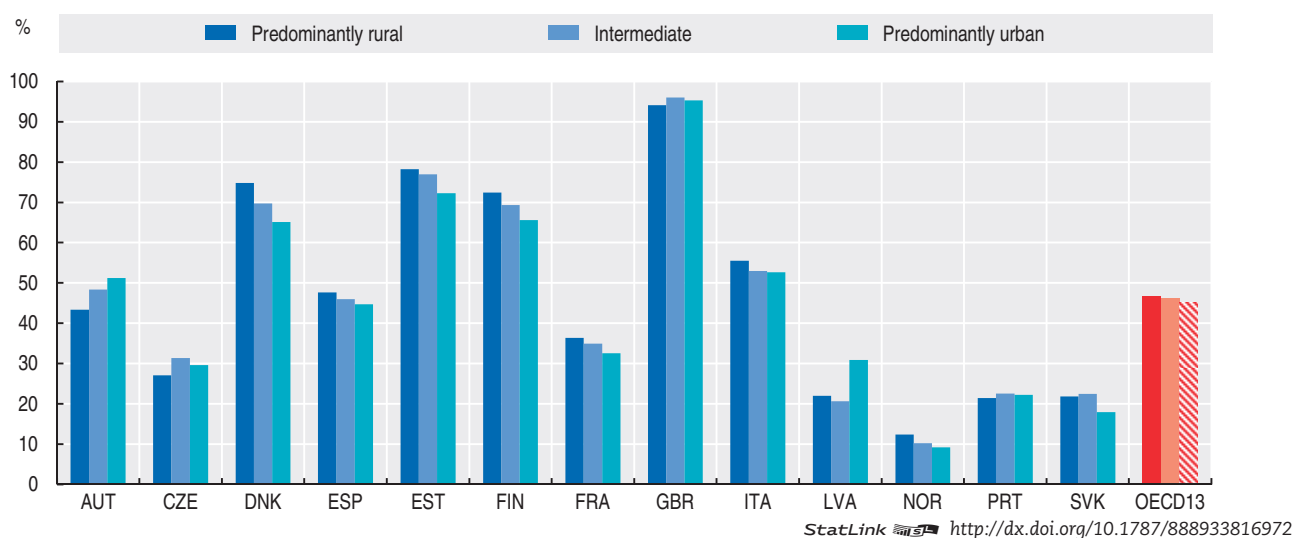


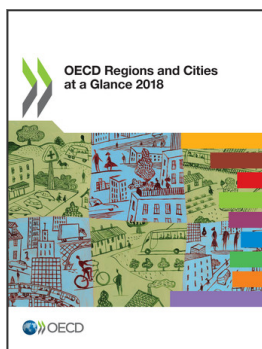
1.32. Net employment creation by new firms, tradable vs. non-tradable sectors



1.33. The relative importance of employer firms by type of region, 2015

Share of employer firms among all newly created firms





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