

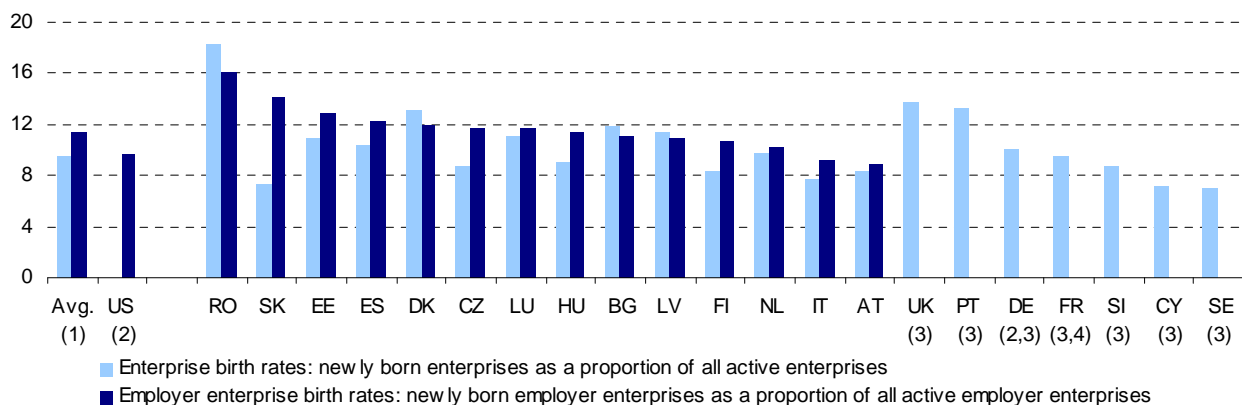
Business demography in Europe: employers and job creation

Business demography focuses on enterprise births and deaths, survival rates, and the important role that new enterprises can potentially play in terms of economic growth, employment creation and increasing productivity. These data form part of the structural indicators used to measure progress towards the goals set out in the European Union's growth and jobs strategy.

While business demography data covering all enterprises regardless of their sizes are used for the structural indicators, an additional demand has emerged for data limited to **employer enterprises** – enterprises with at least one employee – within the framework of the joint OECD-Eurostat Entrepreneurship Indicators Programme (EIP). Here, the reason for limiting the scope to employer enterprises is improved international comparability both at the EU and OECD level, the latter covering also the United States.

In this publication, new data on employer enterprises are contrasted for the first time with business demography data from the existing harmonised data collection, where no distinction is made between employer and non-employer enterprises (self-employed persons who work alone, or with unpaid workers, such as family members). The latter does not measure demographic changes that result from movements between size classes (a non-employer enterprise that becomes an employer enterprise, or vice-versa). Indeed, the employer enterprise data set is the only source for tracking such events, as births include new enterprises with at least one employee, as well as existing non-employer enterprises that become employer enterprises (entry by growth), while deaths are enterprises, with at least one employee, that die, as well as enterprises that exit due to decline (no longer have any employees).

Figure 1: Comparison of enterprise and employer enterprise birth rates, business economy (NACE Rev. 1.1 Sections C to K excluding 74.15), 2005 (%)



- (1) Average based on data for those Member States shown in the figure above with information available for employer enterprises.
 (2) 2004.
 (3) Employer enterprise birth rate not available.
 (4) Excluding financial intermediation (NACE Section J).

Source: Eurostat (SBS, Business demography), OECD (for the US)

Birth and death rates

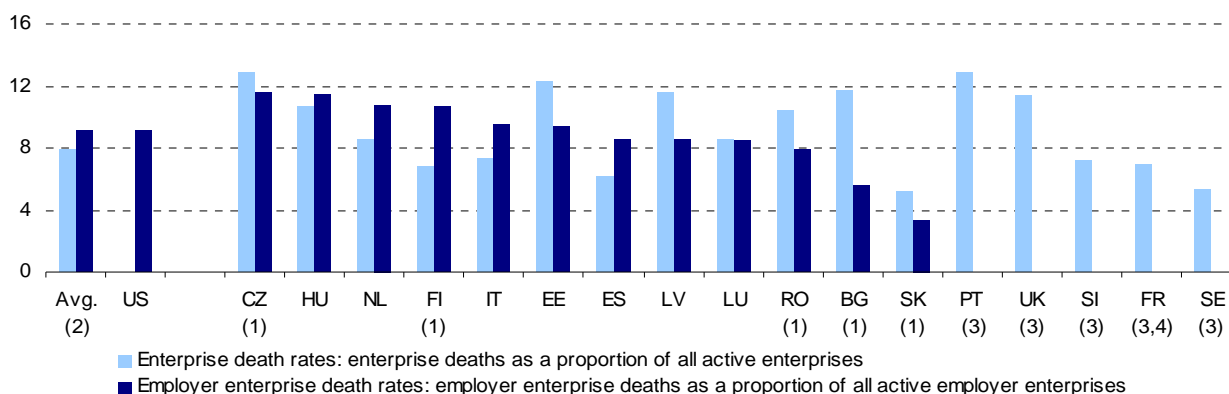
The employer enterprise birth rate for the business economy was 11.3 % among the 14 Member States for which data are available in 2005 (see Figure 1 on the front page), compared with a birth rate of 9.4 % for the same countries when considering all enterprises. Employer enterprise birth rates were generally higher than birth rates for all enterprises in 2005, except in Bulgaria, Denmark, Latvia and Romania.

With the introduction of this new series it is possible to make a comparison between data for Europe and the United States. Employer enterprise birth rates in Europe were generally above those in the United States, as only Italy and Austria reported birth rates below the figure for the United States (9.7 %: note the American rate is for 2004).

The pattern was less clear in terms of employer enterprise death rates for 2004, as the average of 9.1 % for 12 European countries was practically the same (0.1 percentage points less) as the corresponding figure for the United States, with half of the countries reporting death rates above the American figure.

The difference between employer enterprise birth and death rates was often quite large, and the net birth rate was generally positive. This was especially the case among those Member States that joined the EU in 2004 or 2007, with a difference of 10.8 percentage points for Slovakia and 8.2 points for Romania; employer enterprise death rates were higher than employer enterprise birth rates in 2004 for Finland, Hungary, Italy and the Netherlands, while in the United States the difference was 0.5 percentage points in favour of employer enterprise births.

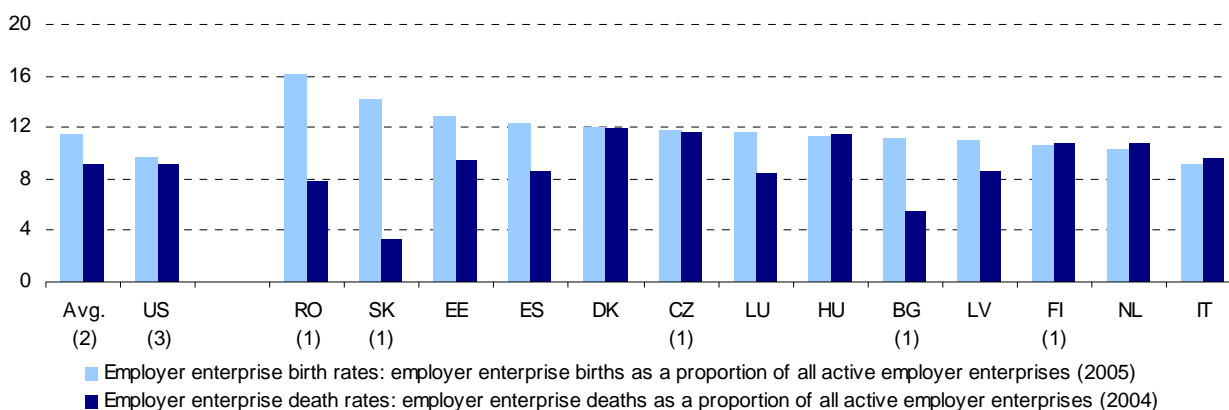
Figure 2: Comparison of enterprise and employer enterprise death rates, business economy (NACE Rev. 1.1 Sections C to K excluding 74.15), 2004 (%)



- (1) Provisional data for employer enterprise death rate.
 (2) Average based on data for those Member States shown in the figure above with information available for employer enterprises.
 (3) Employer enterprise death rate, not available.
 (4) Excluding financial intermediation (NACE Section J).

Source: Eurostat (SBS, Business demography)

Figure 3: Comparison of employer enterprise birth and death rates, business economy (NACE Rev. 1.1 Sections C to K excluding 74.15), 2004 and 2005 (%)



- (1) Romania, Slovakia, Czech Republic, Bulgaria and Finland, provisional data for employer enterprise death rate.
 (2) Average based on data for those Member States shown in the figure above.
 (3) 2004.

Source: Eurostat (SBS, Business demography), OECD (for the US)

Activity breakdown

Looking at a breakdown by activity, the highest employer enterprise birth rates in 2005 across 12 Member States for which data are available (see Figure 4 for coverage) were recorded for construction (13.8 %), followed by a range of different services where birth rates were consistently in double figures. Across all of these activities, with the exception of financial intermediation, employer enterprise birth rates were between 2 and 4 percentage points higher than birth rates for all enterprises. In contrast, employer enterprise birth rates for industrial activities were considerably lower than for construction and service activities, at between 5.9 % and 7.3 %.

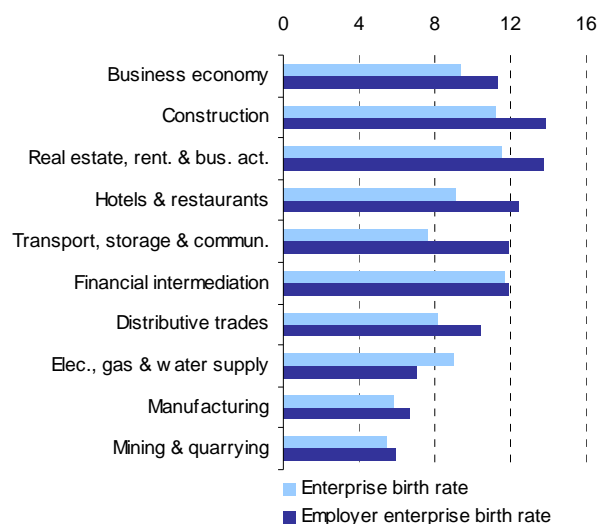
Figure 5 shows that across countries the highest employer enterprise birth rates in 2005 were generally reported for the construction sector, as Denmark, Luxembourg, the Netherlands, Austria and Slovakia were the only Member States to report employer enterprise birth rates that were higher for services; in each of the 14 Member States for which data are available, the lowest birth rates were consistently recorded for industry.

It is interesting to note that the variation in employer enterprise birth rates across the three aggregates of industry, construction and services was considerably wider for European countries (2005) than for the United States (2004). The difference between the highest and lowest birth rates was 7.1 percentage points for the average based on information for 14 of the Member States, rising to more than 9 points in Bulgaria, Romania, Spain and Estonia. In contrast, the range of birth rates in the United States was much closer, with a maximum of 9.9 % for services, 9.8 % for construction and 7.7 % for industry.

An analysis for subsections within mining and quarrying and manufacturing, and divisions within electricity, gas and water supply, construction and services shows Romania recorded the highest employer enterprise birth rates in 2005 for 21 out of 36 activities covered.

Average figures for the 14 Member States for which data are available across the same 36 activities show that the highest employer enterprise birth rates were recorded for post and telecommunications (NACE Rev. 1.1 Division 64, 18.2 %), research and development (NACE Rev. 1.1 Division 73, 16.5 %), and real estate activities (NACE Rev. 1.1 Division 70, also 16.5 %). The lowest birth rate was registered for the collection, purification and distribution of water (NACE Rev. 1.1 Division 41, 4.4 %).

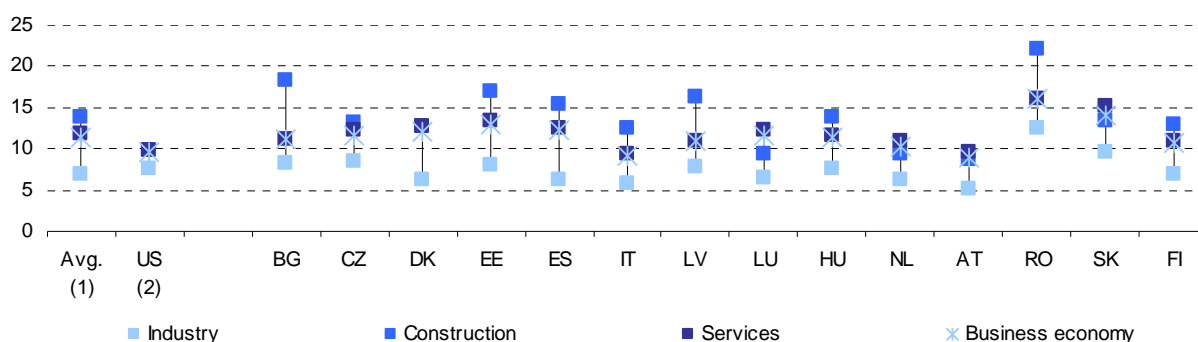
Figure 4: Comparison of enterprise and employer enterprise birth rates, average, 2005 (%) (1)



(1) Average composed of: Czech Republic, Denmark, Estonia, Spain (excluding financial intermediation), Italy, Latvia, Luxembourg, Hungary, the Netherlands, Austria, Romania, Slovakia and Finland; Bulgaria: confidential.

Source: Eurostat (SBS, Business demography)

Figure 5: Employer enterprise birth rates, breakdown by activity, 2005 (%)



(1) Average composed of: Bulgaria, Czech Republic, Denmark, Estonia, Spain, Italy, Latvia, Luxembourg, Hungary, the Netherlands, Austria, Romania, Slovakia and Finland.

(2) 2004.

Source: Eurostat (SBS, Business demography), OECD (for the US)

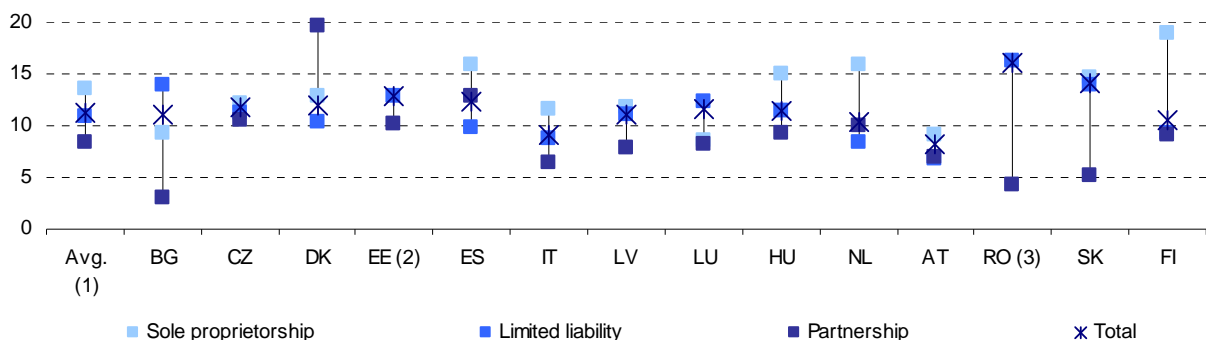
Breakdown by legal form

An alternative way of analysing employer enterprise birth rates is by studying their legal form – in other words, the type of enterprises that are created by entrepreneurs, be they sole proprietorships, limited liability companies or partnerships.

Employer enterprise birth rates were consistently higher no matter the legal form than birth rates for all enterprises in 2005 for the business economy when averaged across the 14 countries for which data are available. The highest birth rates were recorded for sole proprietorships (13.1 %) and the lowest for partnerships (8.3 %). There was no difference between employer enterprise birth rates and those for all enterprises (10.9 %) for limited liability companies, which is not surprising given that it is very rare for a self-employed person to go to the effort of setting-up a limited liability company if they are not going to subsequently employ other people.

Sole proprietorships were the most common legal form for newly born employer enterprises in the majority of the Member States in 2005. The exceptions to this rule were Bulgaria, Denmark, Estonia, Luxembourg and Romania – where limited liability companies were the most common. Birth rates for limited liability companies in Luxembourg may be relatively high due to the country being used by the corporate sector for business structuring in relation to cross-border transactions, whereas in Bulgaria and Romania, it appears that this legal form is preferred in relation to partnerships (as these countries recorded the lowest birth rates for this legal form). Furthermore; note that according to national legislation, sole proprietorships in Romania are not allowed to have paid employees and hence do not exist, while in Estonia the number of sole proprietorships was so small that the cell is suppressed for confidentiality reasons.

Figure 7: Employer enterprise birth rates, breakdown by legal form, business economy (NACE Rev. 1.1 Sections C to K excluding 74.15), 2005 (%)



(1) Average based on data for those Member States shown in the figure above.

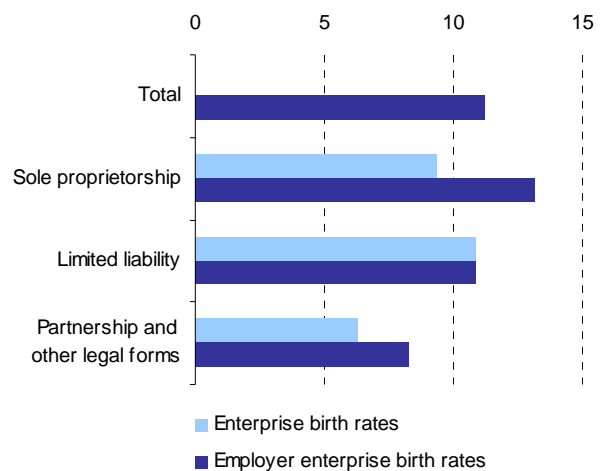
(2) Sole proprietorships: confidential.

(3) Sole proprietorships: cannot have paid employees according to national legislation.

Source: Eurostat (SBS, Business demography)

Sole proprietorships were also the most common form of newly born employer enterprise in each of the three main activity aggregates of industry, construction and services. A more detailed analysis shows that sole proprietorships were a particularly popular legal form within the construction sector, with a birth rate of 17.3 %. Indeed, the construction sector recorded the highest birth rate (in comparison to industry and services) for each of the three legal forms under consideration, with a rate of 12.2 % for limited liability companies and 10.0 % for partnerships.

Figure 6: Comparison of enterprise and employer enterprise birth rates, business economy (NACE Rev. 1.1 Sections C to K excluding 74.15), average, 2005 (%) (1)



(1) Average composed of: Bulgaria, Czech Republic, Denmark, Estonia, Spain, Italy, Latvia, Luxembourg, Hungary, the Netherlands, Austria, Romania, Slovakia and Finland; Romania: excluding sole proprietorships (cannot have paid employees according to national legislation).

Source: Eurostat (SBS, Business demography)

Employment effects

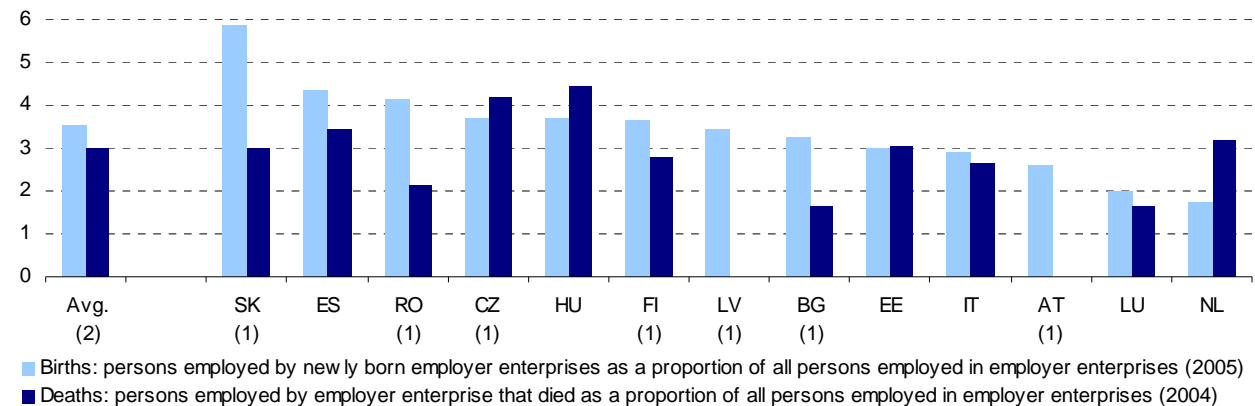
There is considerable policy interest in the way in which enterprises grow and create employment. Business demography statistics allow an analysis of the share of total employment that may be attributed to newly born enterprises, surviving enterprises, enterprises that are growing rapidly, or enterprises that die.

On average, across the 11 Member States for which data are available (see Figure 8 for details of country coverage) the number of persons employed by newly born employer enterprises in 2005 was equivalent to 3.5 % of the total number of persons employed in all employer enterprises; the corresponding figure for employer enterprise deaths in 2004 was 3.0 % of the workforce. Newly born employer enterprises accounted for a particularly high share of the workforce in Slovakia (5.9 %), and upwards of 4 % in Spain and

Romania. The Czech Republic, Hungary and the Netherlands were the only Member States to report that a higher proportion of their workforce lost their jobs through employer enterprise deaths than gained jobs through newly born employer enterprises; of these, both Hungary and the Czech Republic had reported higher death rates than birth rates. Generally those Member States with relatively high employer enterprise birth/death rates also reported a higher proportion of employment among enterprises that were newly born/died.

Note that the figures shown on this page refer to employment rates and not to overall changes in employment levels. As newly born enterprises and enterprise deaths each account for around 3 % of the workforce, it is also important to bear in mind the changes in employment that take place within existing and surviving enterprises, which may look to engage new staff or lay-off staff.

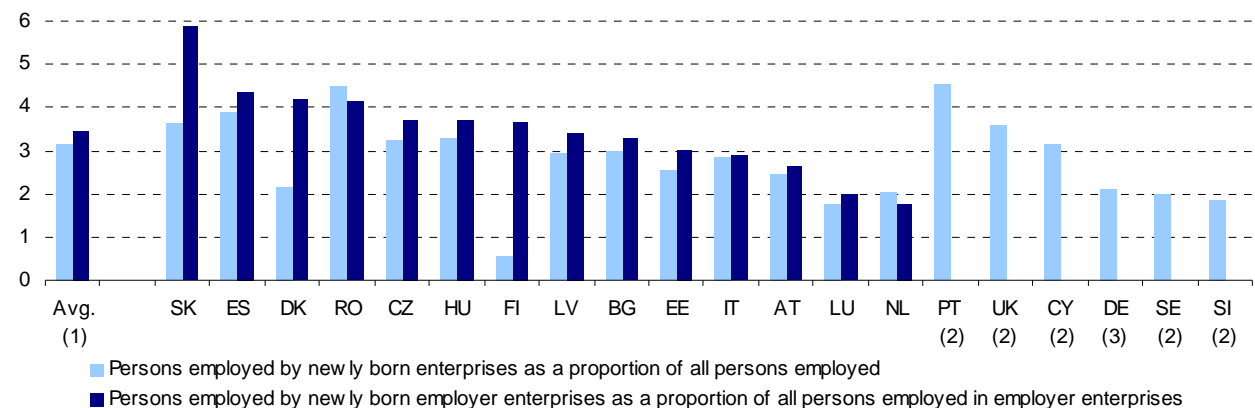
Figure 8: Share of employment in employer enterprise births and deaths, business economy (NACE Rev. 1.1 Sections C to K excluding 74.15), 2004 and 2005 (%)



- (1) Slovakia, Romania, Czech Republic, Finland and Bulgaria: provisional data for employment in employer enterprise deaths; Latvia and Austria: not available for employer enterprise deaths.
 (2) Average based on data for those Member States shown in the figure above for employer enterprise deaths.

Source: Eurostat (Business demography)

Figure 9: Share of employment in newly born enterprises, business economy (NACE Rev. 1.1 Sections C to K excluding 74.15), 2005 (%)



- (1) Average based on data for those Member States shown in the figure above with information available for employer enterprises.
 (2) Persons employed by employer enterprises, not available.
 (3) 2004; persons employed by employer enterprises, not available.

Source: Eurostat (Business demography)

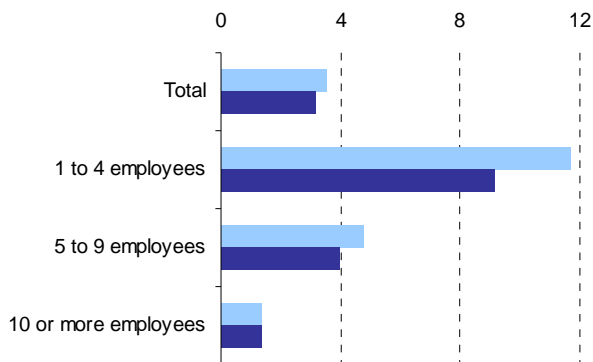
Size class breakdown

It is likely that any new enterprise born in the upper size class (ten or more employees) will have a lower than average number of employees relative to more established enterprises that have grown over time. Thus, it is perhaps unsurprising to find that the lowest employment shares in new enterprises were recorded for enterprises with ten or more employees, where those entering/leaving the labour market accounted for 1.4 % of the total workforce in this size class in the 11 Member States for which data are available (see Figure 10).

The change in employment resulting from newly born employer enterprises with 1 to 4 employees amounted to 11.7 % of the workforce in 2005; while the corresponding figure for deaths in 2004 was 9.2 %. This pattern was repeated in each Member State, as generally more than 10 % of all persons employed were working in a newly born enterprise in the size class between 1 and 4 employees; Italy and Finland were the only exceptions to this rule.

Figure 12 shows the number of newly born enterprises within the 14 countries for which data are available; there were 532.500 employer enterprises born in 2005, compared more than a million enterprises including also non-employers. Size class "1 to 4 employees" shows the effect of former non-employers who became employers and were counted as 'employer births', while these are not counted as births among 'all enterprises'.

Figure 10: Share of employment in employer enterprise births and deaths, business economy (NACE Rev. 1.1 Sections C to K excluding 74.15), average, 2004 and 2005 (%) (1)

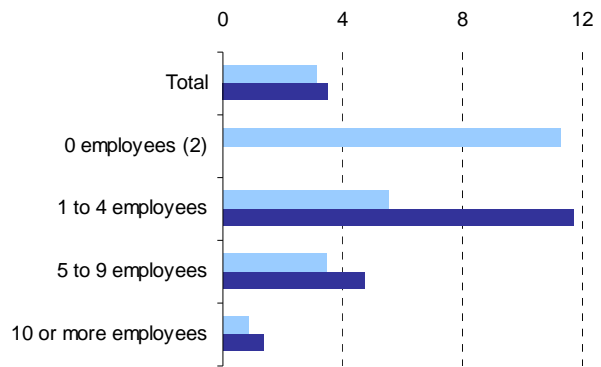


- Births: persons employed by newly born employer enterprises as proportion of all persons employed (2005)
- Deaths: persons employed by employer enterprise deaths as a proportion of all persons employed (2004)

(1) Average composed of: Bulgaria, Czech Republic, Denmark, Estonia, Spain, Italy, Hungary, the Netherlands, Romania, Slovakia and Finland; Bulgaria, Czech Republic, Romania and Finland, provisional for employment share of deaths; Luxembourg: confidential; Latvia and Austria: not available.

Source: Eurostat (SBS, Business demography)

Figure 11: Share of employment in newly born enterprises, business economy (NACE Rev. 1.1 Sections C to K excluding 74.15), average, 2005 (%) (1)

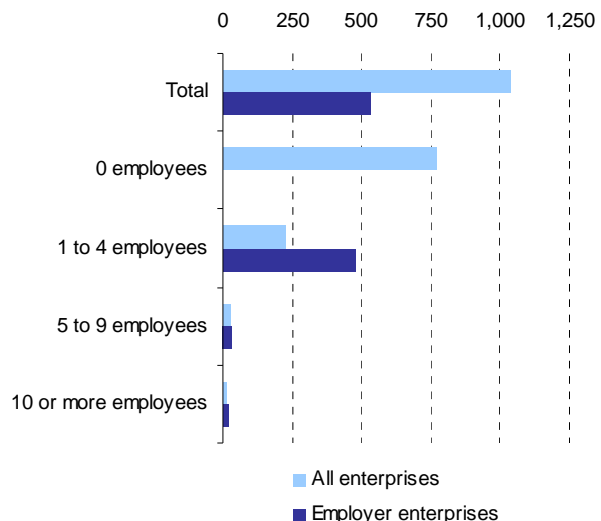


- All enterprises: persons employed by newly born enterprises as a proportion of all persons employed
- Employer enterprises: persons employed by newly born employer enterprises as a proportion of all persons employed

(1) Average composed of: Bulgaria, Czech Republic, Denmark, Estonia, Spain, Italy, Latvia, Hungary, the Netherlands, Austria, Romania, Slovakia and Finland; Luxembourg: confidential.
 (2) By definition not available for employer enterprises.

Source: Eurostat (SBS, Business demography)

Figure 12: Comparison of the number of enterprise and employer enterprise births, business economy (NACE Rev. 1.1 Sections C to K excluding 74.15), 2005 (thousands) (1)



(1) Information is for the total of: Bulgaria, Czech Republic, Denmark, Estonia, Spain, Italy, Luxembourg, Hungary, the Netherlands, Austria, Romania, Slovakia and Finland.

Source: Eurostat (SBS, Business demography)

METHODOLOGICAL NOTES

The **legal basis** for the collection of business demography statistics was foreseen in the structural business statistics Regulation (Council Regulation (EC, EURATOM) No 58/97 of 20 December 1996). Variables such as counts of enterprise births and deaths are defined in Commission Regulation (EC) No 2700/98 of 17 December 1998. Annex IX of a recast Parliament and Council Regulation ((EC) No 295/2008 of 11 March 2008) concerning structural business statistics provides a framework for the collection, compilation, transmission and evaluation of harmonised statistics on business demography.

The **statistical unit** is the **enterprise**, defined in the statistical units Regulation (Council Regulation (EEC) No 696/93 of 15 March 1993). An enterprise is the smallest combination of legal units that is an organisational unit producing goods or services, which benefits from a certain degree of autonomy in decision-making, especially for the allocation of its current resources.

The majority of the business demography statistics presented in this publication cover **employer enterprises** – those with at least one employee in paid employment (collected on the basis of a gentleman's agreement). This is in contrast to information from Eurostat's **harmonised data collection** that covers business demography for employers and non-employers.

Active enterprises: all enterprises that had either turnover or employment at any time during the reference period.

Employer enterprise birth: birth of an enterprise with at least one employee. This population consists of enterprise births that have at least one employee in the birth year and of enterprises that existed before the year in consideration, but were below the threshold of one employee.

Employer enterprise death: occurs either as an enterprise death with at least one employee in the year of death or as an exit by decline, moving below the threshold of one employee.

Enterprise birth: the creation of a combination of production factors with the restriction that no other enterprises are involved in the event. Births do not include entries into the population due to mergers, break-ups, split-off or restructuring of a set of enterprises. Equally, statistics on enterprise births do not include entries resulting only from a change of activity. If a dormant unit is reactivated within two years, this event is not considered a birth.

Enterprise death: the dissolution of a combination of production factors with the restriction that no other enterprises are involved in the event. Deaths do not include exits from the population due to mergers, take-overs, break-ups or restructuring of a set of enterprises. Deaths do not include exits resulting only from a change of activity. An enterprise is included in the count of deaths only if it is not reactivated within two years. As such, data on enterprise deaths is generally available at a later date than information on enterprise births. Note that for the employer enterprise data set, death rates were calculated on the basis of using the population of active enterprises in 2004 from the harmonised data collection, subtracting size class 0 from the total population of enterprises to obtain an approximation of the population of active employer enterprises for 2004.

Number of persons employed: the total number of persons who work in the observation unit (inclusive of working proprietors, partners working regularly in the unit and unpaid family workers), as well as persons who work outside the unit

who belong to it and are paid by it (e.g. sales representatives, delivery personnel, repair and maintenance teams). It includes persons absent for a short period (e.g. sick leave, paid leave or special leave), and also those on strike, but not those absent for an indefinite period. It also includes part-time workers who are on the pay-roll, as well as seasonal workers, apprentices and home workers on the pay-roll. Excludes manpower supplied to the unit by other enterprises, as well as those on compulsory military service. The employment share of newly born (employer) enterprises is defined as the number of persons employed in the reference period among newly born (employer) enterprises divided by the number of persons employed among the active stock of (employer) enterprises. Note that employment data for the Netherlands and Finland are provided in terms of full-time equivalents and that this tends to result in lower values for employment-related indicators than if head counts were used.

Activity breakdown: information that is presented by activity is based on the NACE Rev. 1.1 statistical classification of economic activities in the European Community. Information at the NACE section level has been aggregated to create the following aggregates: business economy (Sections C to K), industry (Sections C to E), construction (Section F) and services (Sections G to K). Note that Class 74.15 is not covered in any of the statistics presented.

Legal form: the following types of enterprise can be found in most Member States: sole proprietorship (personally owned and no limit to personal liability); limited liability company (private or publicly quoted joint stock companies with limited liability for those owning shares); partnership and other legal forms (personally owned limited and unlimited liability partnerships; included are also other level forms such as co-operatives, associations, etc.). Note that sole proprietorships are not covered by the data for Romania, and these enterprises cannot have paid employees according to national legislation.

Size classes: the employer enterprise data set can be divided into information on enterprises with 1-4 employees, between 5 and 9 employees, or 10 or more employees. Note that for the harmonised data collection, there is in addition a size class 0 that covers enterprises with no paid employees.

Average: for the purpose of this publication a set of averages (avg.) has been created. These are generally based on the 13 Member States for which data on employer enterprise business demography are available. Attempts have been made to ensure that comparisons of averages within the same graph are based on the same set of countries. Note that some averages are only based on information for 11 or 12 Member States as a result of missing or confidential data; in each case, a footnote has been added detailing the composition of the aggregate labelled 'average'.

US data: a limited set of information is presented for the United States. This data may be found on the OECD website, where it can be downloaded from: <http://OECD.StatExtracts>. The data set is based on employer enterprises. However, other methodological differences mean comparisons with the EU employer enterprise data should be made with caution; note the data are for 2004.

Further information: refer to the [Eurostat-OECD Manual on Business Demography Statistics](#)




Further information

Data: [Eurostat Website: http://ec.europa.eu/eurostat](http://ec.europa.eu/eurostat)

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