

Business demography in 9 Member States

Results for 1997-2000

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- 1.03 million new enterprises were born in the 9 countries¹ for which data are available in the private sector² in 2000.
- Enterprise birth rates were in the range of 7% to 11% of the population of active enterprises between 1998 and 2000.
- Business services and distributive trades accounted for the highest number of enterprise births.
- Of the 1.06 million enterprise births in 1998, 72% survived to 2000³.
- The average enterprise death rate was 7.9% in 1999⁴.

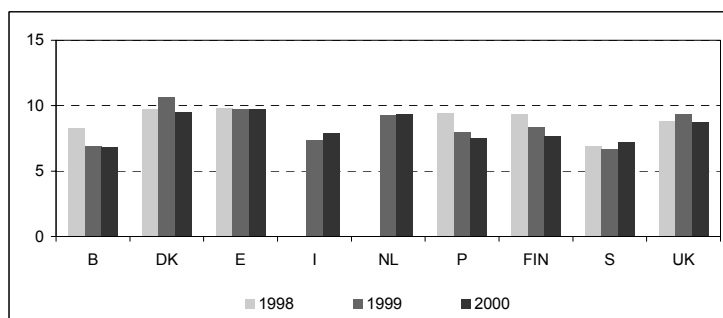


Figure 1: Enterprise birth rates for the private sector (NACE Sections C to O, excluding L) (% of the population of active enterprises)⁵

Business demography - background information

The Council of Lisbon in 2000 set the strategic goal of transforming the European Union into "the most competitive and dynamic knowledge-based economy in the world". This strategic goal can be reached, among others, through policies creating a friendly environment for starting and developing businesses. The Council invited the European Commission to draw up an annual synthesis report based upon a set of *Structural Indicators*, which aim to provide policy makers with information to assess the progress being made towards the Lisbon objectives. One area where harmonised data are requested is in relation to business demography.

Eurostat's business demography project aims to provide statistical information that tracks the number of genuine enterprise births by economic activity, their survival and contribution to employment and turnover over time, as well as the number of real enterprise deaths. The project is based upon a harmonised methodological approach and considerable efforts have been made to standardise methods and definitions (*for more information see methodological notes on page 7*).

This publication presents some of the results obtained from the first harmonised data collection. A more detailed publication will be released in the second quarter of 2003.

As basic indicators on business demography are now available, further efforts are planned to develop statistics that measure the various factors that contribute to enterprise success, survival and failure.

¹ I, excluding activities of membership organizations (NACE Division 91).

² For the purpose of this publication the private sector is defined as NACE Sections C to O, excluding Section L.

³ Excluding B and NL; I, excluding activities of membership organizations (NACE Division 91); S, excluding electricity, gas & water supply (NACE Section E).

⁴ I, excluding activities of membership organizations (NACE Division 91).

⁵ B, excluding mining & quarrying (NACE Section C) for 1999; the merging of administrative registers in DK in 1999 may have resulted in the over-evaluation of enterprise births in that year; I, excluding activities of membership organizations (NACE Division 91); I and NL, not available for 1998; S, excluding electricity, gas & water supply (NACE Section E) for 1998.

Statistics
in focus

INDUSTRY, TRADE
AND SERVICES

THEME 4 – 9/2003

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Enterprise births

NACE	Year	B	DK	E	I	NL	P	FIN	S	UK	MEAN / SUM
PRIVATE SECTOR	1998	8.3	9.8	9.8	11.1	:	9.4	9.4	6.9	8.9	:
(NACE C-O, excluding L)	1999	:	10.7	9.7	7.4	9.3	8.0	8.3	6.7	9.4	:
	2000	6.8	9.5	9.7	7.9	9.4	7.6	7.7	7.3	8.8	8.5
Population of active enterprises, 2000		555.1	309.8	2 916.3	4 221.4	641.7	789.3	288.8	609.7	2 028.6	12 360.7
Industry	1998	5.4	5.9	7.7	8.2	:	8.0	6.6	:	6.7	:
(Sections C-E)	1999	:	5.9	7.3	5.4	6.8	7.7	5.5	5.0	7.2	:
	2000	4.4	5.6	7.1	5.5	6.3	5.8	5.4	5.3	6.9	6.0
Population of active enterprises, 2000		45.2	32.2	266.3	575.2	51.1	102.9	35.3	59.4	184.6	1 352.1
Mining & quarrying (Section C)	1998	:	6.8	6.8	5.9	:	5.6	4.0	3.6	8.2	:
	1999	:	6.6	6.5	4.1	4.1	7.6	2.8	2.2	13.2	:
	2000	2.2	5.5	5.7	3.9	3.8	5.7	2.6	1.4	14.0	5.9
Population of active enterprises, 2000		0.3	0.2	3.1	4.1	0.3	1.8	1.4	0.6	2.3	14.1
Manufacturing (Section D)	1998	5.4	6.5	7.8	8.2	:	8.1	6.8	5.3	6.7	:
	1999	4.6	6.6	7.3	5.5	6.8	7.7	5.6	5.1	7.2	6.3
	2000	4.4	6.0	7.1	5.5	6.3	5.8	5.5	5.4	6.8	6.0
Population of active enterprises, 2000		44.7	26.5	260.2	568.8	50.6	100.7	32.7	57.4	181.9	1 323.6
Electricity, gas & water supply (Section E)	1998	:	2.5	7.5	10.4	:	10.6	5.4	:	11.5	:
	1999	4.1	2.2	6.8	4.2	15.8	10.9	5.8	3.7	12.2	4.7
	2000	4.5	3.6	6.3	8.5	9.0	10.8	4.8	3.2	14.1	5.5
Population of active enterprises, 2000		0.2	5.5	3.1	2.2	0.2	0.4	1.3	1.3	0.3	14.4
Construction	1998	7.8	9.6	12.5	13.3	:	11.6	9.7	5.1	8.5	:
(Section F)	1999	6.5	9.7	13.0	9.5	10.4	9.3	9.4	5.7	8.9	9.9
	2000	6.2	10.3	13.2	9.5	11.4	10.1	9.0	6.9	8.0	10.0
Population of active enterprises, 2000		70.1	32.2	347.9	521.1	68.1	129.4	34.1	57.2	228.7	1 488.8
Services	1998	9.0	10.9	9.6	11.7	:	9.2	8.7	7.0	9.6	:
(Sections G-K)	1999	7.5	11.9	9.3	7.7	9.8	7.7	7.7	6.6	10.0	8.6
	2000	7.5	10.6	9.4	7.9	9.5	7.3	7.3	7.3	9.4	8.6
Population of active enterprises, 2000		366.0	197.6	1 989.2	2 663.8	415.2	502.2	164.9	390.8	1 319.3	8 009.0
Distributive trades (Section G)	1998	7.2	9.9	8.4	9.9	:	7.9	9.3	6.2	7.0	:
	1999	5.8	10.1	8.1	6.8	7.2	6.7	7.7	5.6	7.9	7.3
	2000	5.6	9.3	8.2	6.6	6.6	6.1	6.6	5.9	7.5	7.0
Population of active enterprises, 2000		177.5	73.8	880.1	1 344.5	178.1	306.1	60.5	130.5	454.8	3 605.7
Hotels & restaurants (Section H)	1998	10.1	7.7	10.2	10.7	:	10.0	8.6	7.0	9.6	:
	1999	8.1	8.2	10.2	7.1	6.6	7.6	8.2	6.6	11.5	8.9
	2000	7.9	8.6	9.9	6.6	6.5	8.3	7.2	7.0	11.5	8.7
Population of active enterprises, 2000		51.7	15.3	300.0	255.1	41.9	77.9	12.5	24.5	149.7	928.6
Transport, storage & communication (Section I)	1998	10.6	9.7	6.1	11.2	:	7.1	4.9	4.0	9.1	:
	1999	8.4	11.6	6.1	7.3	9.7	6.5	4.6	4.1	10.3	7.2
	2000	8.4	9.0	5.7	7.5	8.8	4.8	4.2	5.1	9.9	6.9
Population of active enterprises, 2000		19.8	16.9	243.9	167.2	27.6	24.9	25.3	34.3	91.5	651.3
Financial intermediation (Section J)	1998	10.7	8.8	13.4	16.4	:	6.8	12.3	9.8	8.3	:
	1999	8.3	13.0	14.0	8.5	15.4	7.4	10.8	8.1	8.5	10.3
	2000	9.2	9.2	13.1	11.2	14.4	5.1	10.7	8.6	7.9	10.7
Population of active enterprises, 2000		7.5	3.0	51.1	76.1	21.7	23.8	4.3	7.2	28.5	223.3
Business services (Section K)	1998	11.3	12.7	12.8	15.1	:	16.1	9.4	8.1	12.1	:
	1999	9.9	14.1	12.0	9.3	13.2	13.2	8.8	7.7	11.5	10.7
	2000	10.1	12.5	12.5	10.3	13.3	12.9	9.0	8.7	10.3	10.9
Population of active enterprises, 2000		109.6	88.6	514.2	820.9	145.8	69.5	62.3	194.3	594.9	2 600.1
Other services	1998	7.3	8.1	10.4	:	:	9.4	13.5	8.6	7.4	:
(Sections M-O)	1999	6.0	9.6	10.8	:	8.2	7.5	11.5	8.8	8.2	:
	2000	5.4	7.2	10.3	:	9.0	7.5	9.6	8.4	7.7	:
Population of active enterprises, 2000		73.8	47.9	312.9	:	107.4	54.7	54.5	102.4	296.0	:
Education (Section M)	1998	4.7	10.0	13.1	17.1	:	11.7	13.6	11.1	12.9	:
	1999	4.3	10.0	12.9	8.9	7.6	11.2	11.7	10.2	15.6	11.6
	2000	4.1	8.3	12.4	9.9	7.9	10.6	10.1	10.5	12.0	10.9
Population of active enterprises, 2000		4.7	5.3	52.3	14.2	12.3	4.1	2.5	9.7	22.2	127.4
Health & social work (Section N)	1998	7.9	9.1	9.2	5.6	:	11.3	15.6	7.4	4.4	:
	1999	5.4	10.1	9.0	3.8	5.4	7.9	12.5	9.2	5.3	6.1
	2000	5.5	7.3	8.9	11.0	6.2	5.5	9.7	7.7	4.8	8.8
Population of active enterprises, 2000		16.0	13.8	108.8	210.3	28.3	11.1	19.8	21.6	71.4	500.9
Other social & personal services (Section O)	1998	7.4	7.2	10.4	:	:	8.6	12.2	8.6	7.8	:
	1999	6.3	9.3	11.4	:	9.6	7.0	10.9	8.5	8.4	:
	2000	5.5	6.9	10.6	:	10.5	7.7	9.5	8.3	8.3	:
Population of active enterprises, 2000		53.1	28.8	151.8	:	66.8	39.6	32.1	71.1	202.4	:

Table 1: Enterprise birth rates (% of population of active enterprises) and the population of active enterprises (thousands)⁶

Number of enterprise births
Just over 1 million new enterprises

were born in 2000 in the private sector⁷. Births accounted for 8.5% of the 12.3 million active enterprises.

Economic climate

Before looking in more detail at business demography data, it is worthwhile to briefly consider the

economic environment in which enterprises were operating between 1997 and 2000 - a period of considerable growth in the EU.

Real GDP grew at an average rate of 3.0% per annum, while the index of industrial production grew by 3.5% per annum. In terms of employment, there was a net gain of almost 9 million jobs in the EU.

⁶ The merging of administrative registers in DK in 1999 may have resulted in the over-evaluation of enterprise births in that year; I, excluding activities of membership organizations (NACE Division 91) for the private sector total; I, the quality of 1998 data is generally low, reflecting changes made to the business register; S, excluding electricity, gas & water supply (NACE Section E) for 1998 in the private sector total.

⁷ I, excluding activities of membership organizations (NACE Division 91).

Which activities reported the highest birth rates?

Taking the average birth rate for the 9 countries where data are available, enterprise birth rates of 10% or more were reported for construction, financial intermediation, business services and education in 2000. The lowest birth rates of 6% or less were registered for industry. In absolute terms, the highest number of enterprise births was recorded for business services (283 000) and distributive trades (253 000).

The birth of a relatively low number

of enterprises can significantly change the population of active enterprises in certain economic activities. This is particularly the case in activities where natural monopolies exist, or where the minimum efficient scale of production is high. Overall there were less than 1 000 new enterprise births in the mining & quarrying sector (840) and the electricity, gas & water supply sector (794) in 2000.

Which countries reported the highest birth rates?

The highest enterprise birth rates were recorded in Denmark (see

footnote 6 on the previous page), Spain and the Netherlands, with rates between 9% and 11% over the period 1998-2000. In Portugal and Finland the enterprise birth rate fell at a rapid pace over the three-year period studied, losing 1.9 and 1.7 percentage points.

In absolute terms, the number of births is likely to be highest in large countries and countries which traditionally have a predominance of small and medium-sized enterprises (SMEs). There were 335 000 new births in Italy in 2000 and 284 000 in Spain.

Enterprise survival rates

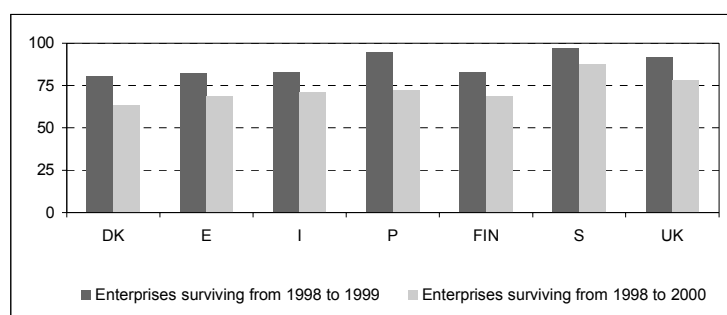


Figure 2: Enterprise survival rates in the private sector (NACE Sections C to O, excluding L) (% of enterprises that were born in 1998)⁸

NACE	Year	DK	E	I	P	FIN	S	UK
PRIVATE SECTOR (NACE C-O, ex. L)	1999	80.5	82.7	83.3	94.4	83.0	97.0	91.9
	2000	63.3	69.0	71.1	72.6	68.8	87.5	78.3
Industry (C-E)	1999	83.2	86.7	83.6	95.0	86.3	:	90.4
	2000	70.0	76.5	72.5	77.0	72.8	:	77.2
Mining & quarrying (C)	1999	76.5	89.3	75.5	94.4	82.8	100.0	91.2
	2000	70.6	80.6	60.7	83.2	72.4	100.0	76.5
Manufacturing (D)	1999	82.1	86.6	83.7	95.0	86.2	96.6	90.4
	2000	68.2	76.3	72.7	76.9	72.4	87.5	77.2
Electricity, gas & water supply (E)	1999	99.2	93.8	68.0	94.3	95.2	:	88.9
	2000	94.5	89.0	51.8	82.9	87.1	:	77.8
Construction (F)	1999	83.6	81.3	84.6	92.3	84.6	97.4	92.4
	2000	69.6	68.7	73.8	69.4	70.3	89.6	79.1
Services (G-K)	1999	80.0	82.7	83.0	94.5	82.1	96.8	91.8
	2000	62.4	68.7	70.6	71.3	67.3	86.4	77.7
Distributive trades (G)	1999	78.2	82.8	82.9	94.3	78.8	95.8	90.2
	2000	58.3	70.1	70.4	71.6	61.3	82.0	74.1
Hotels & restaurants (H)	1999	78.7	79.1	84.7	94.9	84.4	94.2	86.0
	2000	56.6	64.7	73.1	71.4	65.8	73.7	66.9
Transport, storage & communication (I)	1999	82.1	87.8	83.4	97.3	90.5	98.5	89.9
	2000	64.7	77.8	71.1	82.7	83.2	92.3	73.6
Financial intermediation (J)	1999	73.8	81.0	79.9	89.8	81.7	96.6	84.5
	2000	62.3	67.9	65.0	72.5	68.8	91.3	74.5
Business services (K)	1999	81.3	83.3	82.9	94.9	83.2	97.6	94.4
	2000	65.7	66.8	70.8	68.5	70.2	89.8	82.5
Other services (M-O)	1999	79.6	81.2	:	98.6	83.1	97.6	93.1
	2000	59.8	66.4	:	86.6	70.0	90.4	81.5
Education (M)	1999	84.7	77.3	73.9	96.1	84.6	98.4	93.5
	2000	69.3	61.5	60.4	82.0	71.7	91.9	82.4
Health & social work (N)	1999	76.1	80.4	87.7	99.6	84.5	97.7	92.9
	2000	45.1	68.7	73.1	96.3	72.1	92.6	83.9
Other social & pers. services (O)	1999	80.7	83.3	:	98.7	81.9	97.4	93.1
	2000	67.2	66.9	:	83.9	68.2	89.6	80.9

Table 2: Survival rate of enterprises born in 1998 (%)⁹

Not all enterprises have the same chance of survival. Figure 2 shows that in the majority of the 7 countries for which data are available, less than 75% of enterprises born during 1998 survived to their third year of operation.

Of the 1.06 million enterprises that were born in 1998 in these 7 countries (excluding activities of membership organizations in Italy and electricity, gas and water supply in Sweden), 914 000 survived to 1999 and 770 000 to 2000 - average survival rates of 85.7% and 72.2% respectively.

The chances of enterprises surviving from 1998 to 2000 were highest in the transport, storage & communication and manufacturing sectors. The least chance of survival was recorded in the activities of distributive trades, hotels & restaurants, financial intermediation and education.

⁸ I, excluding activities of membership organizations (NACE Division 91); S, excluding electricity, gas & water supply (NACE Section E).

⁹ I, excluding activities of membership organizations (NACE Division 91) for the private sector total; S, excluding electricity, gas & water supply (NACE Section E) in 1998 for the private sector total.

Enterprise death rate

A high enterprise birth rate may indicate that the business environment, including government policies, is conducive to enterprise development. If accompanied by a high rate of enterprise deaths, this may suggest that some enterprise births were at the expense of existing businesses or that new enterprises were short-lived.

The following analysis concentrates on the 9 countries for which data are available in table 3. It provides information on the private sector, excluding activities of membership organizations in Italy.

There were 960 000 enterprise deaths in 1999 compared to 1.02 million enterprise births. When expressed as a share of the total population of active enterprises, the average enterprise death rate was 7.9%.

Service sectors have higher enterprise death rates

The largest absolute number of enterprise deaths in 1999 was recorded for distributive trades (285 000), followed by business services (217 000) and construction (109 000). The same three activities accounted for the highest number of enterprise births.

Three sectors stood out from the remainder in terms of their high enterprise death rates in 1999: they were hotels & restaurants, financial intermediation and business services. The lowest death rates were reported for electricity, gas & water supply (3.1%) and manufacturing (6.5%).

As with enterprise births, the highest number of enterprise deaths was reported in Italy (331 000). The United Kingdom (204 000) and Spain (196 000) reported an almost equal number of deaths in 1999.

In relative terms, the United Kingdom reported the highest enterprise death rate (10.2%), with

NACE	Year	B	DK	E	I	NL	P	FIN	S	UK	MEAN
PRIVATE SECTOR (NACE C-O, ex. L)	1997	:	7.6	7.6	9.3	:	6.9	6.5	7.0	9.5	:
	1998	6.4	8.1	7.9	6.5	7.5	6.4	7.7	5.6	10.2	7.5
	1999	8.5	8.9	6.9	8.0	8.7	6.1	8.1	4.9	10.2	7.9
Industry (C-E)	1997	:	5.1	6.8	7.4	:	6.2	5.9	5.6	8.9	:
	1998	4.9	5.4	7.5	5.6	5.9	6.6	6.6	5.0	9.4	6.6
	1999	6.3	5.8	5.9	6.2	6.5	5.6	6.6	4.3	9.2	6.5
Mining & quarrying (C)	1997	4.7	5.4	6.3	7.0	:	4.6	5.5	7.2	10.2	:
	1998	4.0	6.4	7.1	6.0	7.6	7.9	5.3	3.9	12.3	7.2
	1999	3.0	7.8	4.3	6.9	5.2	5.4	6.3	1.6	12.8	6.7
Manufacturing (D)	1997	6.5	5.9	6.9	7.4	:	6.3	6.0	5.6	8.9	:
	1998	4.9	6.2	7.5	5.6	5.9	6.6	6.8	5.1	9.4	6.6
	1999	6.3	6.6	6.0	6.2	6.5	5.6	6.8	4.4	9.1	6.5
Electricity, gas & water supply (E)	1997	:	1.0	4.3	9.4	:	2.9	2.7	3.4	11.5	:
	1998	3.6	0.9	3.9	6.4	3.9	4.6	2.2	1.7	10.3	3.0
	1999	4.7	1.2	2.8	7.8	5.9	3.7	2.5	1.1	12.2	3.1
Construction (F)	1997	7.6	5.7	7.5	9.1	:	7.9	6.6	6.7	9.2	:
	1998	5.7	6.3	8.4	7.7	5.2	6.4	8.4	5.2	10.3	7.9
	1999	7.3	6.7	6.8	8.4	5.7	6.9	7.4	4.3	9.4	7.7
Services (G-K)	1997	10.0	8.9	7.8	9.8	:	6.9	7.0	7.3	10.0	:
	1998	7.1	9.1	8.0	6.5	8.2	6.6	8.2	6.1	10.7	7.8
	1999	9.2	9.7	7.1	8.1	9.5	6.3	8.4	5.3	10.9	8.2
Distributive trades (G)	1997	9.9	9.4	8.0	8.7	:	6.7	8.2	7.9	9.8	:
	1998	6.9	9.3	8.4	6.1	7.8	6.2	9.6	7.2	10.2	7.5
	1999	9.0	10.0	7.3	7.8	8.6	5.8	9.7	6.3	9.7	7.9
Hotels & restaurants (H)	1997	12.7	8.2	10.2	7.0	:	6.2	7.2	8.7	14.0	:
	1998	8.4	8.8	9.9	5.4	7.0	5.8	8.6	8.1	14.4	8.8
	1999	10.7	9.3	8.3	6.6	8.2	5.6	8.3	7.2	13.4	8.5
Transport, storage & communication (I)	1997	9.5	8.5	5.5	10.0	:	3.6	3.8	6.3	10.2	:
	1998	6.9	8.2	6.2	7.2	8.1	4.1	4.3	5.4	11.2	7.1
	1999	8.5	8.8	5.6	8.6	8.4	3.5	4.7	4.7	10.6	7.2
Financial intermediation (J)	1997	8.0	9.0	7.8	11.7	:	5.3	8.6	11.4	8.5	:
	1998	7.9	11.1	8.1	9.9	10.0	6.1	9.5	6.3	10.8	9.1
	1999	11.1	10.7	7.7	10.9	13.9	6.2	10.5	3.4	11.7	9.9
Business services (K)	1997	9.0	8.7	7.4	12.4	:	10.9	6.8	6.8	9.0	:
	1998	6.8	9.1	7.2	7.2	9.1	10.0	8.2	5.1	10.1	7.9
	1999	8.8	9.7	6.8	8.6	10.8	10.2	8.6	4.6	11.3	8.8
Other services (M-O)	1997	6.2	5.2	6.8	8.9	:	5.1	5.6	6.5	8.0	:
	1998	4.4	6.9	7.0	:	6.9	5.0	6.6	4.2	8.5	:
	1999	7.3	9.1	6.5	:	8.1	4.0	8.2	3.7	8.1	:
Education (M)	1997	4.5	5.6	8.5	12.0	:	6.4	5.5	4.8	7.2	:
	1998	2.5	6.5	7.9	10.6	9.2	7.4	7.0	4.9	8.1	7.9
	1999	10.6	10.6	8.2	9.3	8.8	6.0	7.7	4.7	8.1	8.2
Health & social work (N)	1997	5.1	4.8	5.6	6.0	:	2.3	5.7	4.8	6.1	:
	1998	3.5	8.4	6.4	5.4	4.7	2.6	6.4	3.6	6.3	5.6
	1999	8.8	13.9	5.9	11.0	6.9	2.0	7.9	2.4	5.6	8.2
Other social & pers. services (O)	1997	6.6	5.4	7.1	11.4	:	5.7	5.5	7.2	8.7	:
	1998	4.9	6.1	7.2	:	7.4	5.4	6.6	4.3	9.3	:
	1999	6.5	6.3	6.3	:	8.5	4.3	8.5	3.9	9.0	:

Table 3: Enterprise death rates (% of population of enterprises)¹⁰

Denmark (8.9%) the only other country at least one percentage point above the average death rate (7.9%) for the 9 countries where data are available in the private sector. Spain, Portugal and Sweden all reported enterprise death rates below 7% in 1999 for the private sector.

Dynamic change

Combining the data for enterprise birth and death rates it is possible to create an indicator that gives some idea of how dynamic or volatile the business enterprise population is. While enterprise births represent the future of an economy, enterprise deaths may result from a decline in demand for products or services that can no longer survive in the marketplace. The combined birth

and death rate may show which economies adapt fastest to these challenges. This ratio was highest in Denmark, the United Kingdom and the Netherlands in 1999, while business services and distributive trades were the activities with the highest rates.

In Spain, Portugal and Denmark, enterprise birth rates exceeded enterprise death rates by at least 1.5 percentage points in 1999.

¹⁰ B, DK, P and FIN, data for 1999 are provisional; I, excluding activities of membership organizations (NACE Division 91); I, the quality of 1997 and 1998 data is generally low, reflecting changes made to the business register; S, relatively high enterprise death rates in 1997 may well be due to the removal of a large number of non-active enterprises from the business register.

Enterprise demography according to size class

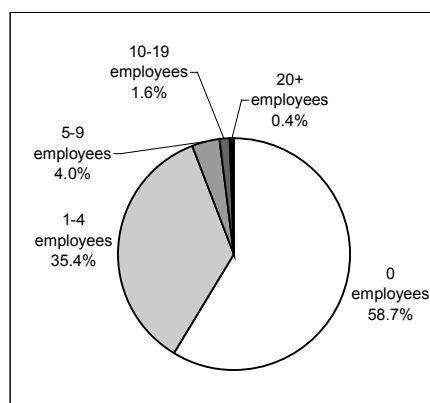


Figure 3: Breakdown of enterprise births according to size class in the private sector (NACE Sections C to O, excluding L) in DK, E, NL, P, FIN and UK, 2000 (% of population of active enterprises)¹¹

Small enterprises account for the majority of enterprise births

The majority of new enterprise births in 2000 in the 6 countries covered by figure 3 were enterprises with no employees (in other words, entrepreneurs/partners working for themselves and not drawing a regular salary, possibly assisted by unpaid family workers). More than one-third of the remaining enterprise births were created with between 1 and 4 employees, while just 0.4% of the enterprises that were born in 2000 employed more than 20 persons.

Country differences for enterprise births by size class

The countries presented in table 4 can be split into three groups. Firstly, those where enterprise births are highly concentrated among enterprises with no employees (Belgium, Denmark, Finland and

Year	Size class	B	DK	E	NL	P	FIN	S	UK
1998	0 employees	81.7	82.5	64.3	:	65.0	85.7	85.4	29.5
	1-4 employees	15.7	15.9	29.8	:	28.4	13.4	12.5	63.9
	5-9 employees	:	1.0	:	:	4.1	0.7	1.4	4.6
	10-19 employees	:	0.5	:	:	1.7	0.2	0.6	1.7
	20+ employees	0.3	0.1	:	:	0.8	0.1	0.0	0.3
1999	0 employees	:	84.2	70.7	61.6	72.1	87.7	92.3	28.7
	1-4 employees	:	13.8	23.6	34.3	23.4	11.7	6.6	63.6
	5-9 employees	:	1.3	:	2.2	2.7	0.5	0.8	5.4
	10-19 employees	:	0.5	:	1.3	1.5	0.1	0.3	2.0
	20+ employees	:	0.2	:	0.6	0.3	0.0	0.0	0.4
2000	0 employees	79.7	80.7	71.3	60.4	66.8	87.1	:	27.8
	1-4 employees	:	17.1	23.1	34.6	29.1	12.0	:	63.4
	5-9 employees	1.9	1.4	:	2.6	2.7	0.7	:	6.1
	10-19 employees	:	0.7	:	1.7	1.1	0.2	:	2.3
	20+ employees	:	0.2	:	0.7	0.3	0.0	:	0.5

Table 4: Proportion of enterprise births in the reference period, broken down by size class, in the private sector (NACE Sections C to O, excluding L) (% of total enterprise births)¹²

Year	Size class	DK	E	P	FIN	S	UK
1999	ALL ENTERPRISES	80.5	82.7	94.4	83.0	97.0	91.9
	0 employees	78.5	79.1	92.1	80.9	96.6	91.4
	1-4 employees	89.3	88.4	98.7	95.1	99.2	92.1
	5-9 employees	96.1	:	98.7	98.0	99.6	93.4
	10-19 employees	97.7	:	98.4	95.1	100.0	93.8
	20+ employees	88.1	:	97.2	100.0	100.0	52.6
2000	ALL ENTERPRISES	63.3	69.0	72.6	68.8	87.5	78.3
	0 employees	60.8	63.2	61.0	65.9	86.4	74.2
	1-4 employees	73.8	78.4	94.0	85.9	94.0	79.8
	5-9 employees	89.5	:	95.8	92.9	92.8	82.7
	10-19 employees	86.2	:	94.0	80.5	96.1	84.3
	20+ employees	76.2	:	94.7	100.0	87.5	52.6

Table 5: Survival rate of enterprises born in 1998, broken down by size class, in the private sector (NACE Sections C to O, excluding L) (% of enterprises births in 1998)¹³

Sweden). Secondly, countries where between one-quarter and one-third of enterprise births were created with between 1 - 4 employees (Spain, the Netherlands and Portugal). Finally, the United Kingdom, where the majority of enterprise births were with 1 - 4 employees. Note, this may be explained by differences in sources, e.g. the relatively high VAT threshold in the United Kingdom means that some self-employed persons without paid employees are not included in the statistical business register, particularly those that only work part-time.

Activity differences by size class

In 1999, the zero employee size class accounted for the majority of enterprise births in every NACE Section within the private sector in all Member States in the project (except the United Kingdom). The lowest proportions were reported for hotels & restaurants (55.8%) and manufacturing (64.3%). Enterprises with no paid employees accounted for a particularly high share of enterprise births in the health & social work (81.2%) and distributive trades' (75.5%) sectors.

Does an enterprise's size have an effect on its survival chances?

Table 5 shows that the smaller the size of an enterprise when it is born, the less chance of survival that it has. This observation generally held for all countries in table 5, whether the survival rate considered was for one year of operation (between 1998 and 1999) or two years of operation (between 1998 and 2000).

¹¹ E, excluding mining & quarrying and electricity, gas & water supply (NACE Sections C and E).

¹² S, excluding mining & quarrying and electricity, gas & water supply (NACE Sections C and E).

¹³ S, excluding electricity, gas & water supply (NACE Section E).

Employment impact

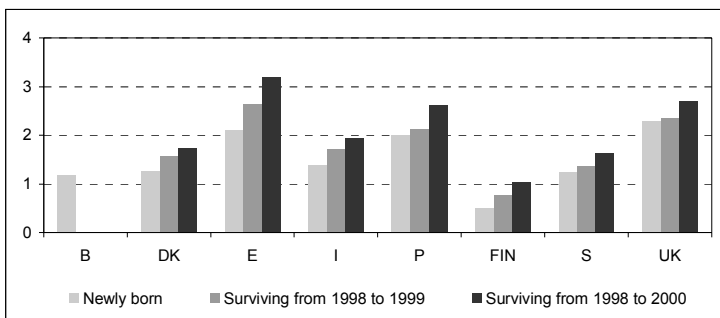


Figure 4: Evolution of the average size of enterprises born in 1998, in the private sector (NACE Sections C to O, excluding L) (average number of persons employed)¹⁴

NACE	B	DK	E	I	P	FIN	S	UK
<i>Average size of newly born enterprises, 1998 (number of persons employed)</i>								
PRIVATE SECTOR (C-O, ex. L)	1.2	1.3	2.1	1.4	2.0	0.5	1.2	2.3
Industry (C-E)	1.8	1.5	3.9	1.7	3.3	0.5	:	3.1
Construction (F)	1.1	1.4	3.0	1.4	1.8	0.6	1.3	1.9
Services (G-K)	1.1	1.2	1.7	1.3	1.8	0.5	1.3	2.2
Other services (M-O)	1.2	1.3	2.1	:	2.3	0.5	1.1	2.6
<i>Average size of enterprises born in 1998 surviving to 1999 (number of persons employed)</i>								
PRIVATE SECTOR (C-O, ex. L)	:	1.6	2.6	1.7	2.1	0.8	1.4	2.4
Industry (C-E)	:	2.1	4.8	2.4	3.7	0.7	1.4	3.1
Construction (F)	:	1.8	4.0	1.7	2.0	1.0	1.5	1.9
Services (G-K)	:	1.5	2.1	1.6	1.9	0.8	1.4	2.3
Other services (M-O)	:	1.5	2.6	:	2.3	0.7	1.2	2.8
<i>Average size of enterprises born in 1998 surviving to 2000 (number of persons employed)</i>								
PRIVATE SECTOR (C-O, ex. L)	:	1.7	3.2	1.9	2.6	1.0	1.6	2.7
Industry (C-E)	:	2.1	5.4	2.8	4.9	1.1	1.7	3.6
Construction (F)	:	2.0	4.6	1.9	2.4	1.3	1.8	2.3
Services (G-K)	:	1.7	2.6	1.8	2.2	1.1	1.7	2.6
Other services (M-O)	:	1.6	3.5	:	2.6	0.8	1.4	3.3
<i>Number of persons employed in newly born enterprises, 1998 (units)</i>								
PRIVATE SECTOR (C-O, ex. L)	54 723	36 412	583 923	633 204	145 083	13 690	48 020	397 070
Industry (C-E)	4 448	2 870	78 865	80 918	27 328	1 281	:	40 590
Construction (F)	5 937	3 887	115 883	89 883	25 585	2 004	3 530	35 105
Services (G-K)	37 662	24 910	324 717	397 815	81 055	6 974	32 440	266 905
Other services (M-O)	6 676	4 745	64 458	:	11 115	3 431	8 327	54 470
<i>Number of persons employed in enterprises born in 1998 surviving to 1999 (units)</i>								
PRIVATE SECTOR (C-O, ex. L)	:	36 322	602 377	645 303	144 180	17 097	51 937	378 595
Industry (C-E)	:	3 301	84 622	95 383	28 569	1 468	4 044	36 460
Construction (F)	:	4 212	126 518	94 712	25 217	2 653	3 853	33 825
Services (G-K)	:	24 218	326 416	393 251	79 275	9 221	35 147	252 790
Other services (M-O)	:	4 591	64 821	:	11 119	3 755	8 893	55 520
<i>Number of persons employed in enterprises born in 1998 surviving to 2000 (units)</i>								
PRIVATE SECTOR (C-O, ex. L)	:	31 256	610 838	623 073	137 120	19 041	54 988	372 240
Industry (C-E)	:	2 821	84 337	97 671	31 167	1 883	4 314	35 800
Construction (F)	:	3 951	120 990	91 520	22 853	2 876	4 426	34 340
Services (G-K)	:	20 908	333 919	376 507	72 211	10 291	36 982	245 230
Other services (M-O)	:	3 576	71 592	:	10 889	3 991	9 266	56 870

Table 6: Change in employment in enterprises born in 1998¹⁵

An important area of interest in relation to business demography is the subject of employment creation. It is normal that most enterprises start out their life very small.

However, the business community and policy makers are interested in how quickly enterprises grow and why some enterprises report faster growth rates than others.

¹⁴ DK and FIN, employment data are provided as full-time equivalents (FTEs); B, not available for one or two-year old enterprises; I, excluding activities of membership organizations (NACE Division 91); S, excluding electricity, gas & water supply (NACE Section E).

¹⁵ DK and FIN, employment data are provided as full-time equivalents (FTEs); I, excluding activities of membership organizations (NACE Division 91) for the private sector total; I, the quality of 1998 data is generally low, reflecting changes made to the business register; S, excluding electricity, gas & water supply (NACE Section E) for the private sector total.

How many jobs were created?

This section refers to all of the Member States for which data are available in table 6¹⁶. There were 1.9 million jobs created in newly born enterprises in 1998. A year later, there were 1.7 million jobs resulting from the birth of newly born enterprises¹⁷; the corresponding figure in 2000 was 1.8 million jobs¹⁸.

How did the average size of enterprises evolve over time?

The average size of the newly born enterprises in 1998 was 1.7 persons. The average size of enterprises in the health & social work sector (3.1 persons) and manufacturing (2.4) was higher, while enterprises in the distributive trades, business services (both 1.5) and financial intermediation (1.3) sectors were much smaller.

Newly born enterprises in the United Kingdom were relatively larger than average, as were enterprises in the industrial and construction sectors of Spain and the industrial sector in Portugal. The smallest enterprises were in Finland. Note that Finland (as well as Denmark and the Netherlands) provided the number of persons employed in full-time equivalents (FTEs).

Were the new jobs maintained?

There were 1.86 million persons employed in newly born enterprises in 1998 (excluding Belgium). Those enterprises surviving employed 1.88 million persons in 1999 and 1.85 million persons in 2000. As such, jobs lost through enterprise deaths were almost entirely compensated for by additional jobs being created within those enterprises surviving.

¹⁶ I, excluding activities of membership organizations (NACE Division 91); S, excluding electricity, gas & water supply (NACE Section E).

¹⁷ Also excluding B for mining & quarrying and electricity, gas & water supply (NACE Sections C and E) and the UK for manufacturing and electricity, gas & water supply (NACE Sections D and E).

¹⁸ Also excluding the UK for electricity, gas & water supply (NACE Section E).

➤ ESSENTIAL INFORMATION – METHODOLOGICAL NOTES

LEGAL BASIS

The collection of basic data on business demography is foreseen in the Council Regulation (EC, EURATOM) No 58/97 of 20 December 1996 concerning structural business statistics. Basic variables such as the number of enterprise births and deaths have already been defined in Commission Regulation (EC) No 2700/98 of 17 December 1998 concerning the definitions of characteristics for structural business statistics.

The development of a harmonised methodology, the testing, as well as this initial data collection exercise are all part of a process that is aimed at providing more comprehensive and comparable statistics on business demography on an annual basis.

BUSINESS REGISTERS

The main source of data for this development action is the statistical business register. Such registers are usually built from a number of different sources that may vary according to the Member State in question.

The merging of administrative registers in Denmark in 1999 may have resulted in the population of enterprises being over-evaluated.

The quality of 1997 and 1998 data for Italy is generally low, reflecting changes made to the business register which have resulted in the population of enterprises being over-evaluated.

In Sweden, relatively high enterprise death rates in 1997 are likely to have resulted from the removal of non-active enterprises from the business register in that year.

DEFINITIONS

An **active enterprise** is defined as an enterprise that had either turnover or employment at any time during the reference period, even for a limited time. If there is insufficient information to determine whether or not an enterprise is active, then national methods leading to this aim are accepted. A count of active enterprises during the reference period is referred to as **the population of active enterprises**.

Enterprise births are defined in the Commission Regulation concerning the definitions of characteristics for structural business statistics as: "a count of the number of births of enterprises registered to the population concerned in the business register corrected for errors. A birth amounts to 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. It does not include entries into a sub-population resulting only from a change of activity." The enterprises must actually have started activity.

Enterprise deaths are defined by the same Regulation No 2700/98 as: "a count of the number of deaths of enterprises registered to the population concerned in the business register corrected for errors. A death amounts to 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 and restructuring of a set of enterprises. It does not include exits from a sub-population resulting only from a change of activity."

Survival is defined as the continuity of an enterprise over time. Thus an enterprise has survived from year t to year $t + x$ if it is still active in year $t + x$, even if it had a change of ownership.

The **number of persons employed** is defined as 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). The number of persons employed excludes manpower supplied to the unit by other enterprises, persons carrying out repair and maintenance work in the enquiry unit on behalf of other enterprises, as well as those on compulsory military service. Unpaid family workers refer to persons who live with the proprietor of the unit and work regularly for the unit, but do not have a contract of service and do not receive a fixed sum for the work they perform.

Employment indicators for Denmark, the Netherlands and Finland are provided in full-time equivalents (FTEs) and as such may show values that are lower than the corresponding data for the other Member States, especially for activities where the proportion of part-time work is high.

STATISTICAL UNIT

The statistical unit used for this project on business demography is the enterprise. This unit is defined in the statistical units Regulation (Council Regulation (EEC) No 696/93 of 15 March 1993 as "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."

ECONOMIC ACTIVITIES - NACE

NACE is a hierarchical classification of economic activities. Business demography indicators have been produced in this project for NACE Rev. 1 Sections C to K and M to O, referred to as the private sector. No data are collected for agriculture, hunting, forestry and fishing, public administration, private households with employed persons or extra-territorial organisations, nor for management activities of holding companies (note that this latter NACE Class is excluded from all higher aggregates). For the purpose of analysis, the following aggregates were created in addition to the private sector: industry (NACE Sections C to E), services (NACE Sections G to K) and other services (NACE Sections M to O).

GEOGRAPHICAL COVERAGE

Data are presented for Belgium, Denmark, Spain, Italy, the Netherlands, Portugal, Finland, Sweden and the United Kingdom. At the time of writing, data for Luxembourg and Norway are being processed and are expected to be available for a more detailed publication that should be released in the second quarter of 2003. Germany, France, Ireland and Austria have also participated in this development action in a limited way.

COVERAGE OF UNITS

No threshold in terms of the size of units has been set for this project. The coverage in general is very good, though differences in national administrative sources affects coverage of the smallest units (0 employees). The relatively high threshold for value added tax (VAT) in the United Kingdom may explain some of the differences, especially in table 4, though in the United Kingdom, as in other countries, the impact of the VAT threshold is reduced by voluntary registrations and the use of additional sources.

SUM OR MEAN

So-called totals or averages (labelled "sum" or "mean" in the tables) have been created as the sum or average of the data for all countries that are presented in a given table.

NON-AVAILABILITY

The colon (:) is used to represent data that is not available, either due to it not being provided or because it is confidential.

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