

Business Demography: employment and survival

Approximately 1.5 million enterprises were born in 2006 and 1.3 million enterprises died in 2005¹ in 13 Member States available for comparison. The overall birth rate for 2006, among the countries with available data, was 9.8% while the overall death rate for 2005 was 8.5%.

National birth rates range from 6.7% to 15.9%, while Malta stands out, with a birth rate of only 2.2% (see Figure 1). More than one third of the countries with available data have birth rates of 10% or more. National death rates vary between 2.5% and 14.8%. Seven of sixteen countries with available data had death rates of 10% or higher in 2005. In general, birth rates are higher than death rates at national level with the exception of Portugal, the Czech Republic and Hungary.

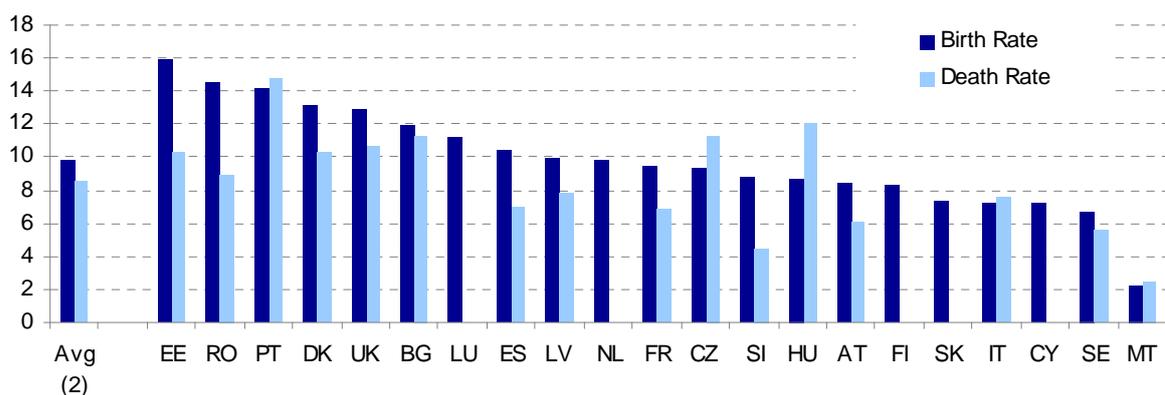
Figure 1 shows that the highest and lowest death rates appear in small countries. A similar pattern appears for birth rates but it is not as distinct.

The Lisbon Strategy, relaunched in 2005 as the Lisbon Strategy on Growth and Jobs, focuses on sustainable growth as well as on more and better jobs in the EU. Some factors contributing to sustainable growth are higher birth than death rates of enterprises, more employment in newly born enterprises than in those that go out of business, survival of newly born enterprises and increase of employment in them.

The present publication shows that there are more enterprise births than deaths in EU Member States for which data are available, examines the composition of births and deaths in terms of company size, gives an indication that the survival chances of enterprises do not improve during their first five years and finds that employment in newly born enterprises shows both increasing and decreasing trends in different countries.

¹ Based on available data for Bulgaria, Czech Republic, Estonia, Spain, France, Italy, Latvia, Hungary, Austria, Portugal, Romania, Sweden and the United Kingdom

Figure 1: Enterprise birth and death rates, Business Economy, 2005 and 2006 (%) (1)



(1) Birth rates for Denmark, Luxembourg, Netherlands, Slovenia, Finland, Slovakia; Cyprus and Malta: 2005; Death rates: 2005. "Business Economy" refers to industry, trade and services (NACE Rev. 1.1 sections C to K except class 74.15, "holding companies").
(2) Average rates are based on data for Bulgaria, Czech Republic, Estonia, Spain, France, Italy, Latvia, Hungary, Austria, Portugal, Romania, Sweden and the United Kingdom with reference year 2006 for birth rates and 2005 for death rates

Source: Eurostat ([bd_9b_size_cl](#))

Quite similar composition of enterprise births and deaths in terms of enterprise size

Figure 2 shows the distribution of newly born enterprises by employee size class. The latter is measured by the number of paid employees.

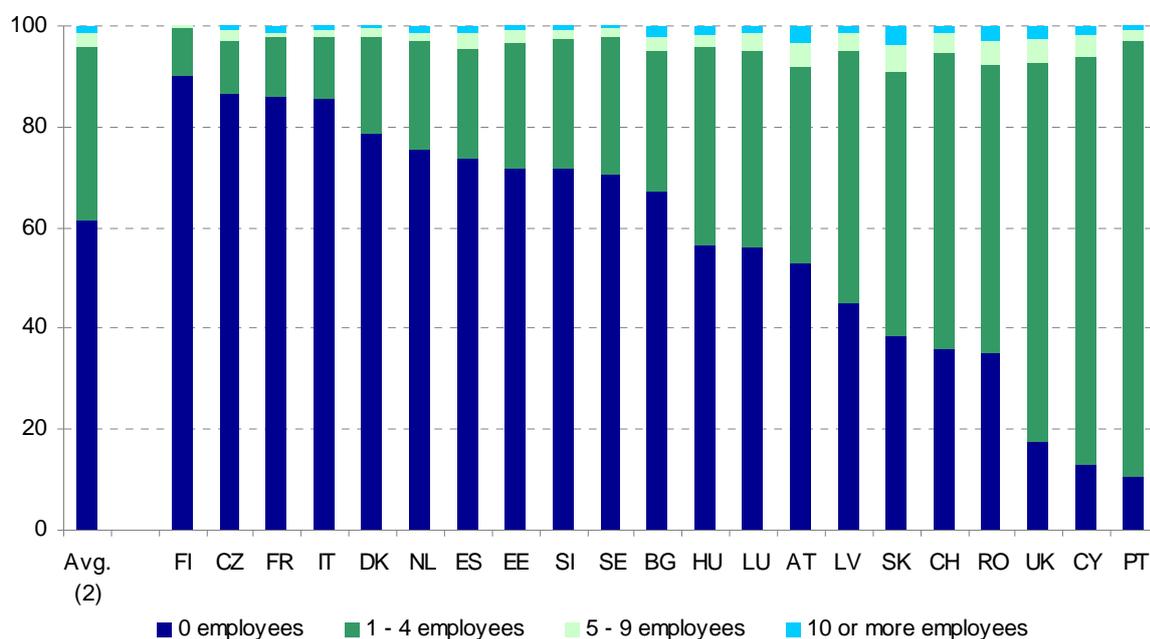
In 14 of the 21 countries shown in Figure 2, enterprises with no paid employees accounted for the majority of births. In the remaining countries more than 50% of newly born enterprises had between 1 and 4 paid employees. These two size classes combined represent more than 90% of births in all the countries shown in figure 2. There is an obvious tendency for enterprises to start very small.

Because of their small size, it is reasonable to expect that the contribution of such small enterprises to employment in enterprise births will be comparatively smaller than their percentage among enterprise births. This assumption is

confirmed by the data in Figure 3, which shows the distribution of persons employed in births by employee size class. Enterprises with up to 4 employees contribute between 45.6% (Slovakia) and 88.7% (Finland) of employment in newly born enterprises. In five countries enterprises without any paid employees contributed more than 50% of employment in newly born enterprises; the same was true for enterprises with 1 to 4 employees in two countries.

Enterprises with 10 or more employees contribute, as expected, a large share of employment in newly born enterprises. This is most prominent in two countries. In Slovakia these enterprises were 3.7% of all births but contributed 41.7% of employment in them; in Romania they stood at 3.0 % of births but contributed 37.2% of employment.

Figure 2: Enterprise births by size class, Business Economy, 2005 and 2006 (%) (1)

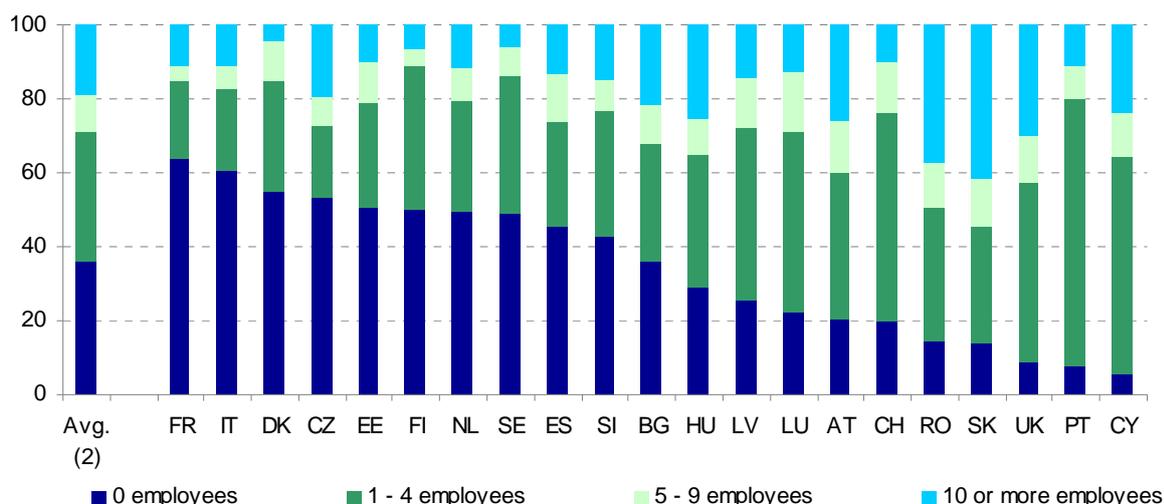


(1) Denmark, Cyprus, Luxembourg, Netherlands, Slovenia, Slovakia, Finland: 2005

(2) Average based on data for those Member States shown in figure above

Source: Eurostat ([bd_9b_size_cl](#))

Figure 3: Distribution of persons employed in newly born enterprises by size class, Business Economy, 2005 and 2006 (%) (1)



(1) Denmark, Cyprus, Luxembourg, Netherlands, Slovenia, Slovakia, Finland: 2005

(2) Average based on data for those Member States shown in figure above

Source: Eurostat ([bd_9b_size_cl](#))

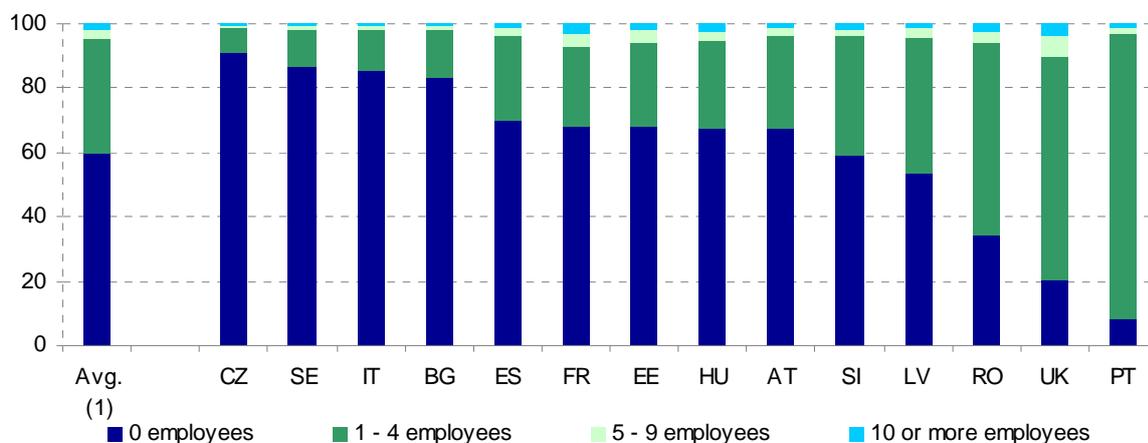
Figure 4 shows the distribution of enterprise deaths, again broken down by employee size class. The large majority of enterprises that die are small, with up to 4 employees. Their share among deaths is more than 90% in all countries with available data. In particular, in 11 countries more than 50% of deaths were of enterprises without paid employees, while in the rest more than 50% of deaths were of enterprises with 1 to 4 employees.

Enterprises without or with up to 4 employees represented at national level between 47.6% (France) and 88.6% (Czech Republic) of

employment in the enterprises that died (Figure 5). In four countries (Czech Republic, Sweden, Italy and Bulgaria) the enterprises without any paid employees that died took with them more than 50% of the employment in all enterprise deaths; the same applies to enterprises with 1 to 4 employees in one country (Portugal).

Enterprises with 10 or more employees also took away a considerable proportion of the jobs lost due to enterprise deaths. Their share in lost employment is between 6.6% (Czech Republic) and 42.7% (Slovenia).

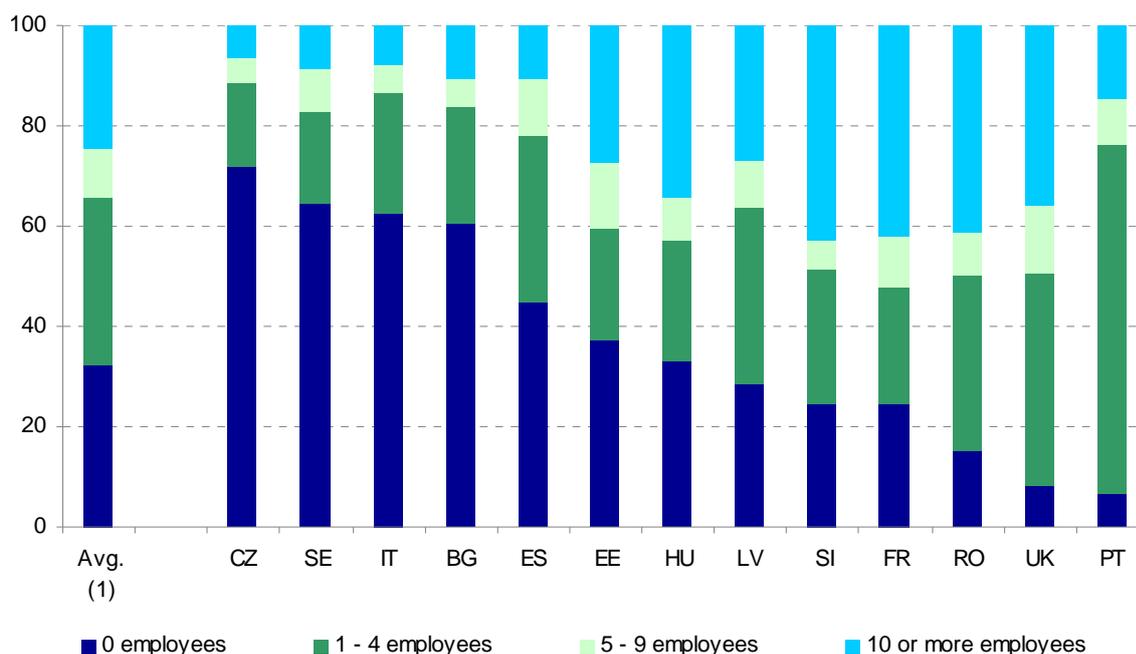
Figure 4: Enterprise deaths by size class, Business Economy, 2005 (%)



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

Source: Eurostat ([bd_9b_size_cl](#))

Figure 5: Distribution of persons employed in enterprises that died by size class, Business Economy, 2005 (%)



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

Source: Eurostat ([bd_9b_size_cl](#))

The chances of survival do not improve in the first five years of an enterprise's life

In Figure 6 we show the one- to five-year survival rates of enterprises born in 2001. The figure shows that in the whole business economy as well as in the separate aggregates of “Industry” (NACE rev. 1.1 Sections C – E), “Construction” (Section F) and “Services” (Sections G – K excluding “Management activities of holding companies”) roughly half of the enterprises survive their first 5 years. In particular for the total business economy, 50% of enterprises born in 2001 survived to 2006. The corresponding percentages for the separate aggregates were 53.2% for Industry, 51.1% for Construction and 49.4% for Services.

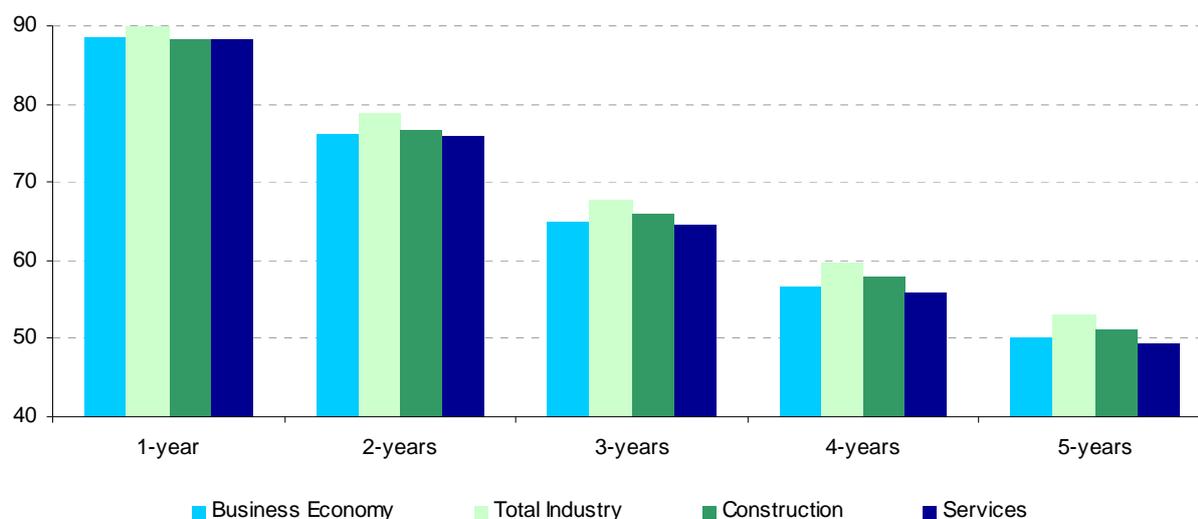
It is also of interest to examine whether an enterprise's survival for a number of years improves its chances of surviving for another year. Looking at the data behind Figure 6 it appears that for the business economy as a whole 88.4% of the enterprises born in 2001 survived in 2002. Out of those, 86.2% survived in 2003. Among the latter, 85.6% survived into 2004. In other words year-to-year survival rates (i.e. the chances of survival) decreased in the first three years for enterprises

born in 2001. Subsequently the rates increased but even in the fifth year of the enterprises' life the rate was still slightly lower than the first year's (88.2% as opposed to 88.4%).

The pattern is roughly the same for the three activity aggregates. Rates for “Construction” and “Services” drop in the first 3 years and increase afterwards. The fifth year's rate for “Construction” is higher than the first year's; in “Services” the rate is still smaller than the first year's. In “Industry” the rate drops in the first two years, increases in the third, drops again in the fourth and finally, in the fifth year it is higher than the first year's.

Arguably the rates are too close to make detailed comparison between years reliable. However the main conclusion that emerges is that the first five years in an enterprise's life are more or less equally difficult in the sense that survival does not seem to improve markedly its prospects of surviving one more year.

Figure 6: One-year, Two-years, Three-years, Four-years, Five-years survival rates of enterprises born in 2001 by activity, at EU level (%) (1)



(1) Average EU rates based on data for the Czech Republic, Estonia, Spain, Finland, Hungary, Italy, Lithuania, Luxembourg, Latvia, the Netherlands, Portugal, Romania, Sweden, Slovenia, Slovakia and the United Kingdom (different EU aggregates produced for the different periods depending on data availability)

Source: Eurostat, ([bd_9b_size_cl](#))

Employment in newly born enterprises evolves differently in different countries

Given that the survivals decrease over the years, it is interesting to see the evolution of employment in a five-year time frame. Figure 7 shows the evolution of employment among 9 Member States for which data are available for the period from 2001 to 2006. The graphs provide an overview of how the employment created by newly born enterprises in 2001 evolved in the business economy over the following five years, with respect to the total employment created in 2001.

Sweden retains the highest proportion (64.1%) of initial employment within enterprises that survived to 2006, while in Hungary almost half (49.9%) of the jobs were lost as a result of enterprises born in 2001 dying by the year 2006.

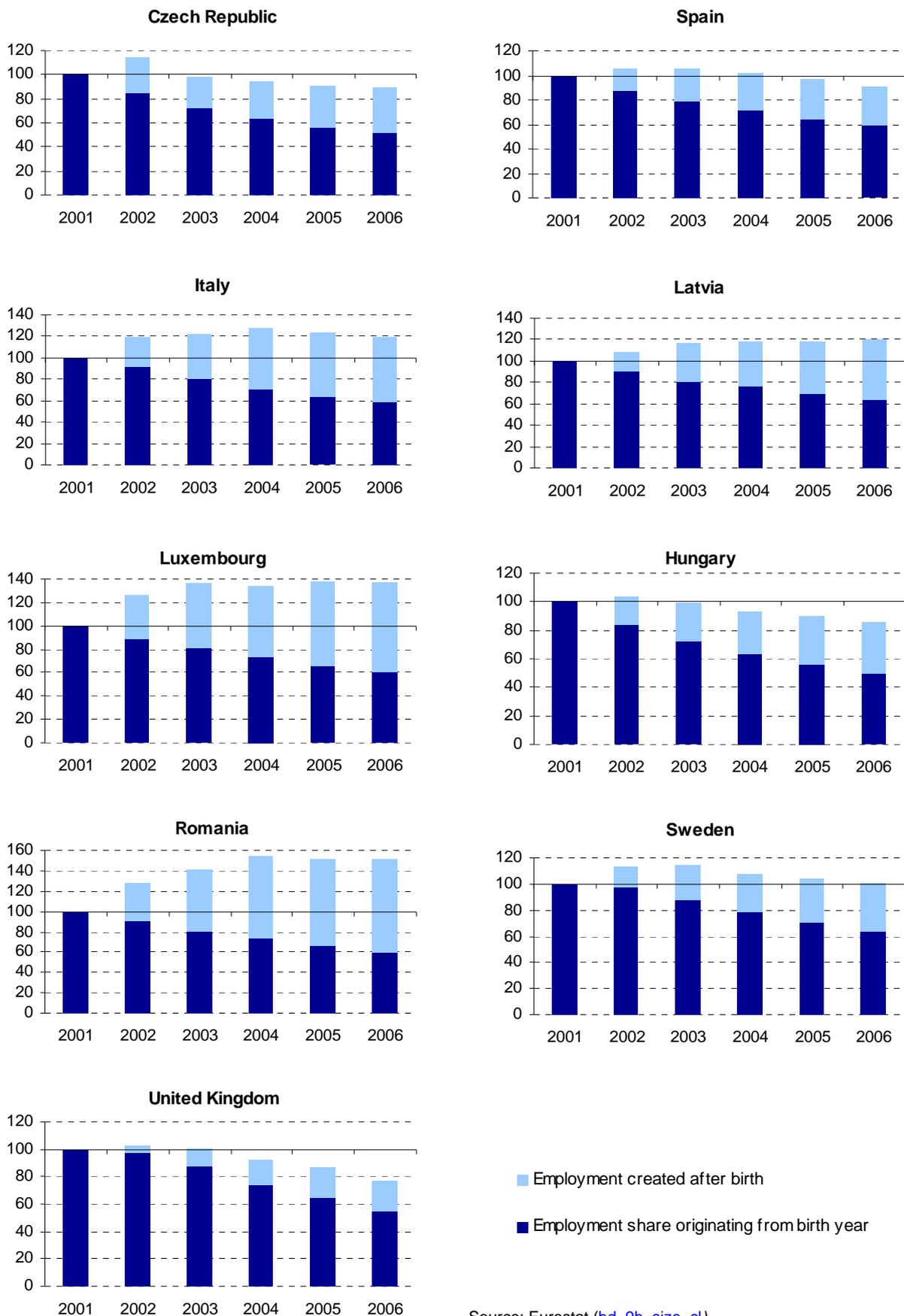
In Italy, Luxembourg, Latvia, Romania and to a much lesser extent Sweden, the net employment growth among surviving enterprises outweighed the employment losses that resulted from enterprises failing to survive. Especially in

Romania, net employment has grown at a rapid pace in enterprises having survived to 2006; employment in 2006 is actually 1.5 times bigger than the employment that the survivors had in 2001.

On the contrary, in the Czech Republic, Spain, Hungary and the United Kingdom, net employment growth among those enterprises that survived between 2001 and 2006 was insufficient to balance the employment losses recorded among enterprises that had died by 2006.

In all Member States employment levels increased in the first year of survival (2002). Especially in almost half of the countries (Czech Republic, Spain, Hungary, Sweden and the United Kingdom) the gains in employment in the first year of survival were the most marked, while such a tailing-off does not characterise the rest of the Member States for which data are available (Italy, Luxembourg, Latvia and Romania).

Figure 7: Employment changes among enterprises born in 2001 and surviving through to 2006, Business Economy (2001=100)



Source: Eurostat ([bd_9b_size_cl](#))

METHODOLOGICAL NOTES

Data source

The data presented in this SiF refer to Business Demography. They cover 20 EU Member States (Bulgaria, Czech Republic, Denmark, Spain, France, Italy, Cyprus, Latvia, Luxembourg, Hungary, Malta, the Netherlands, Austria, Portugal, Romania, Slovenia, Slovakia, Finland, Sweden, the United Kingdom) and Norway.

Annex IX of Parliament and [Council Regulation \(EC\) No 295/2008 of 11 March 2008](#) concerning structural business statistics provides the framework for the collection, compilation, transmission and evaluation of harmonised statistics on business demography. Characteristics and breakdowns are defined in Commission Regulation [EC No 250/2009](#) and [251/2009](#) of 11 March 2009.

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.

Definitions

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.

The **enterprise birth rate** corresponds to the number of enterprise births in the reference period (t) divided by the number of enterprises active in t.

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.

The **enterprise death rate** corresponds to the number of enterprise deaths in the reference period (t) divided by the number of enterprises active in t.

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.

Number of employees: the total number of persons who work for an employer and who have a contract of employment.

Size classes: the employer enterprise data set can be divided into information on enterprises with 0, 1-4 employees, between 5 and 9 employees, or 10 or more employees.

Average: for the purpose of this publication a set of averages (**Avg.**) has been created. These are generally based on the 20 Member States for which data on 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. In each case, a footnote has been added detailing the composition of the aggregate labelled 'average'.

Symbols and abbreviations:

BG Bulgaria
CZ Czech Republic
DK Denmark
ES Spain
FR France
IT Italy
CY Cyprus
LV Latvia
LU Luxembourg
HU Hungary
MT Malta
NL Netherlands
AT Austria
PT Portugal
RO Romania
SI Slovenia
SK Slovakia
FI Finland
SE Sweden
UK United Kingdom
NO Norway

Further information

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

Data on "Business demography":
http://epp.eurostat.ec.europa.eu/portal/page/portal/european_business/data/database

More information about "Business demography":
http://epp.eurostat.ec.europa.eu/portal/page/portal/european_business/special_topics/business_demography

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European Statistical Data Support:

Eurostat set up with the members of the 'European statistical system' a network of support centres, which will exist in nearly all Member States as well as in some EFTA countries.

Their mission is to provide help and guidance to Internet users of European statistical data.

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