

BUSINESS DEMOGRAPHY

"Training Course on Entrepreneurship Statistics"

18-20 September 2017

ASTANA, KAZAKHSTAN

Can DOĞAN / Business Registers Group
candogan@tuik.gov.tr

CONTENT

- Why is Business Demography data needed?
- Data Source, Aim, Legal Base
- Definitions
 - ❖ *Business Demography*
 - ❖ *Enterprise, Demographic Events*
 - ❖ *Local Unit, Demographic Events*

WHY IS BD DATA NEEDED?

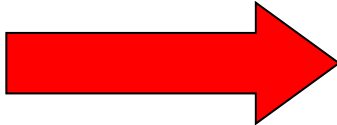
- Coherent and comparable data across the members of the European Statistical System
- Promoting entrepreneurship is instrument for improving competitiveness thus generating economic growth and job opportunities
- Formation of new enterprises and the growth of SMEs are essential for job creation

WHY IS BD DATA NEEDED?

Ultimate objective

- Dynamic knowledge based economy, sustainable growth, more and better jobs
- Economic growth and productivity
 - ❖ *Support for entrepreneurship and entrepreneurial dynamism*

RELATION TO BUSINESS REGISTERS

- Births & Deaths
 - Survival
 - High Growth&Gazelles
 - Entry & Exit
 - Etc.
- 
- Analyzed under Business Demography
 - Data source is Business Registers

AIM

- Coherent and comparable data across the members of the European Statistical System
- Promoting entrepreneurship
 - ❖ *Improving competitiveness*
 - ❖ *Generating economic growth and job opportunities*
 - ❖ *Dynamic knowledge based economy*
 - ❖ *Sustainable growth, more and better jobs economic growth and productivity*
- Observation of enterprise births, deaths, survivals over time
 - ❖ Impact of these “demographic events” on employment

AIM

Data answering questions like:

- How many enterprises are born every year compared with the total population of active enterprises?
- How many of these enterprises survive for 1...5 years?
- How many people are employed in these newly born enterprises?
- Etc.

LEGAL BASE

- Eurostat's Structural Business Statistics data transmission, Annex IX
 - ❖ *Structure of the datafile to be delivered*
 - ❖ *Legal forms, nace activity groups, size classes*
- Commission Regulation (EC) No 250/2009 and No 251/2009
 - ❖ *the definitions of characteristics*
 - ❖ *the technical format for the transmission of data*
- OECD – Eurostat Business Demography Recommendations Manual
 - ❖ *Practical definitions*
 - ❖ *Operational rules for calculating the indicators*

DEFINITIONS

What is Business Demography?

It covers events,

- like births and other creations of units, deaths and other cessations of units, and their ratio to the business population
- follow-up of units in time dimension, thus gaining information on their survival or discontinuity.
- development in time dimension according to certain characteristics like size, thus gaining information on the growth of units, or a cohort of units, by type of activity

**Definition in Eurostat-OECD Manual on Business Demography*

DEMOGRAPHIC EVENTS

- Birth
- Death
- Survival
- Reactivation
- Change of Ownership
- Merge
- Takeover
- Breakup
- Splitup

DEMOGRAPHIC EVENTS

Criteria for identification of demographic events

- Continuity of production factors
- In practice: controlling legal unit, economic activity, location

DEMOGRAPHIC EVENTS – WHAT UNITS?

Enterprise

- ❖ *Birth, death, survival*
 - ❖ *Reactivation*
 - ❖ *Change of ownership*
 - ❖ *Merger, take-over, split-off, break-up...*
 - ❖ *Transfer to another enterprise group*
- Enterprise in Turkish Business Demography experience

DEMOGRAPHIC EVENTS – WHAT UNITS?

- Local unit
 - ❖ *Birth, death*
 - ❖ *Transfer to another enterprise*

- Enterprise group (not considered here)
 - ❖ *Birth, death*
 - ❖ *Merger, take-over, split-off, break-up...*
 - ❖ *Restructuring within a group*
 - ❖ *Complex restructuring with > 1 group*

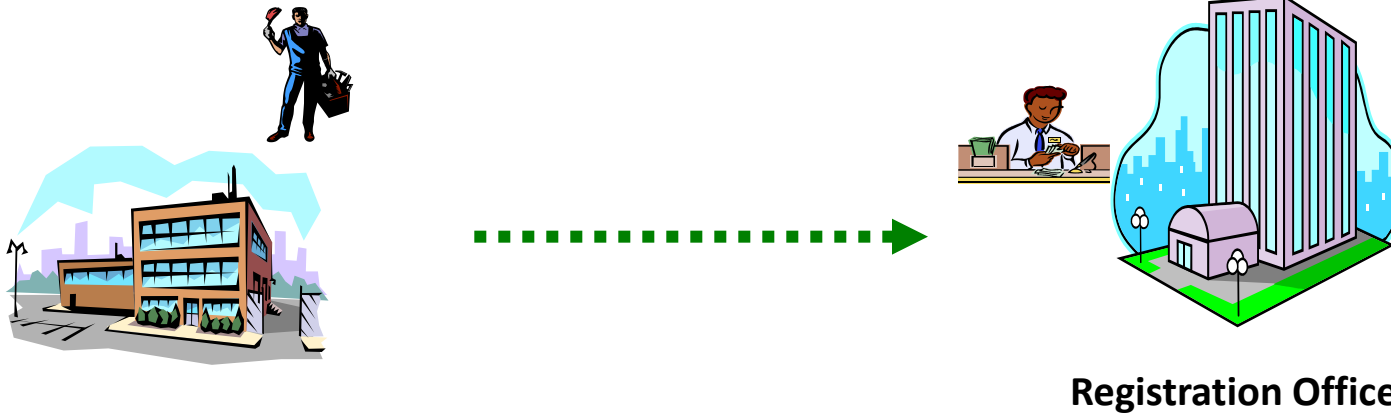
ENTERPRISE

Definition of enterprise*

- the smallest combination of legal units
- an organisational unit producing goods or services
- benefiting from a certain degree of autonomy in decision-making, especially for the allocation of its current resources
- Carrying out one or more activities at one or more locations.
- An enterprise may be a sole legal unit

*Council Regulation on Statistical Units 696/93

ENTERPRISE BIRTH



- 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

ENTERPRISE BIRTH

- Creation of new combination of production factors, i.e. new enterprise starts 'from scratch'
- Unit must be active (employment or turnover)
- Change in BR: creation of ID number
- Exclusions:
 - ❖ *Mergers, break-ups, split-offs, restructuring of enterprise group*
 - ❖ *Change of activity or legal form*
 - ❖ *Reactivation of dormant units within 2 years*

ENTERPRISE BIRTH

- Subset of active new enterprises registered in the BR

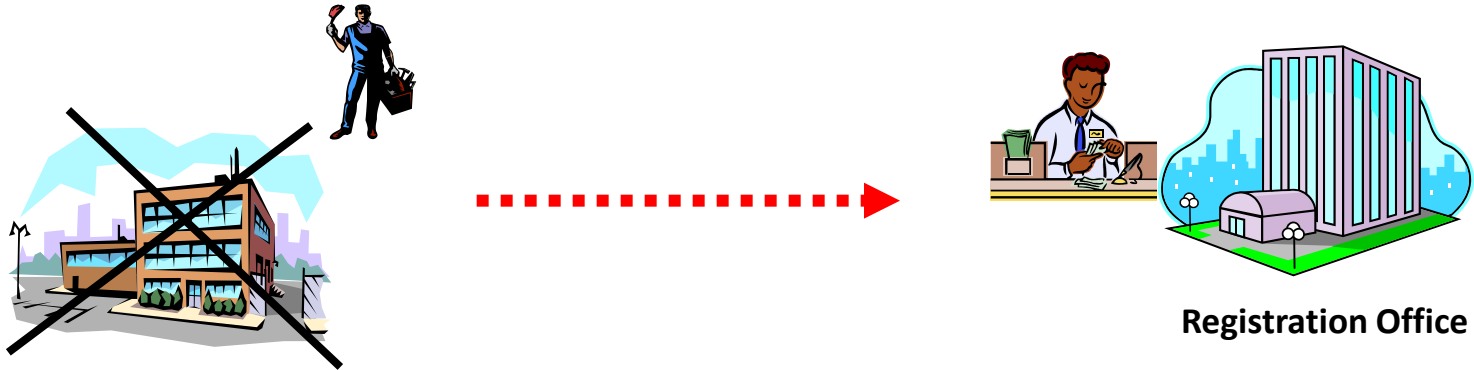
all enterprises

≥ active enterprises

≥ active and new enterprises

≥ enterprise births

ENTERPRISE DEATH



- Deaths do not include exits from the population due to mergers, take-overs, breakups and restructuring of a set of enterprises.
- It does not include exits from a sub-population resulting only from a change of activity.

ENTERPRISE DEATH

- Dissolution of production factors, enterprise really closes down.
- No more activity (employment and turnover) for two years. A reactivation within 2 years is not a death and birth.
- Change in BR: “deletion” of ID number
- Exclusions
 - ❖ *mergers, break-ups, take-overs, restructuring of enterprise group*
 - ❖ *change of activity, change of legal form*

ENTERPRISE DEATH

- Subset of active enterprises registered in the BR

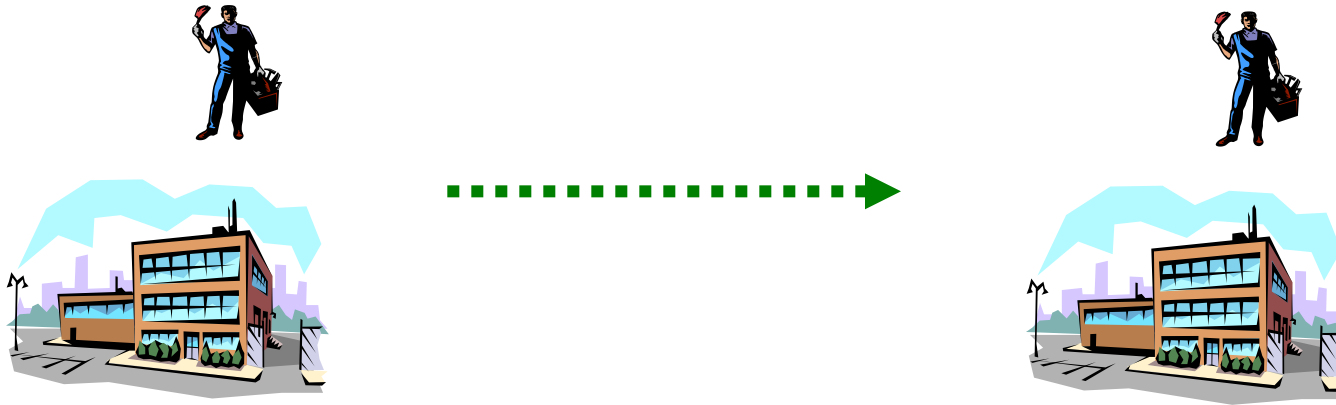
all enterprises

≥ active enterprises

≥ active in reference year and dormant at the two consecutive years

≥ enterprise death

ENTERPRISE SURVIVAL



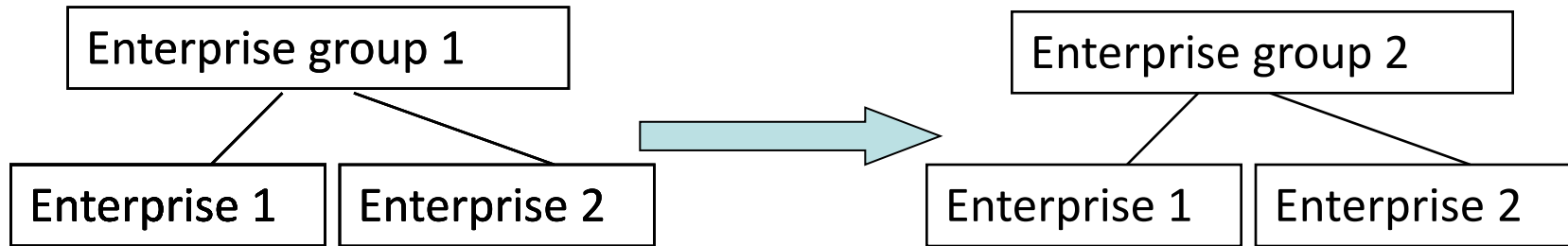
- An enterprise born in year t and if it is still active in terms of turnover and/or employment in any part of year $t+1$, it is considered to have survived to $t+1$
- An enterprise is also considered to have survived if the linked legal unit(s) have ceased to be active, but their activity has been taken over by a new legal unit set up specifically to take over the factors of production of that enterprise (survival by take-over).

Enterprise events without birth/death



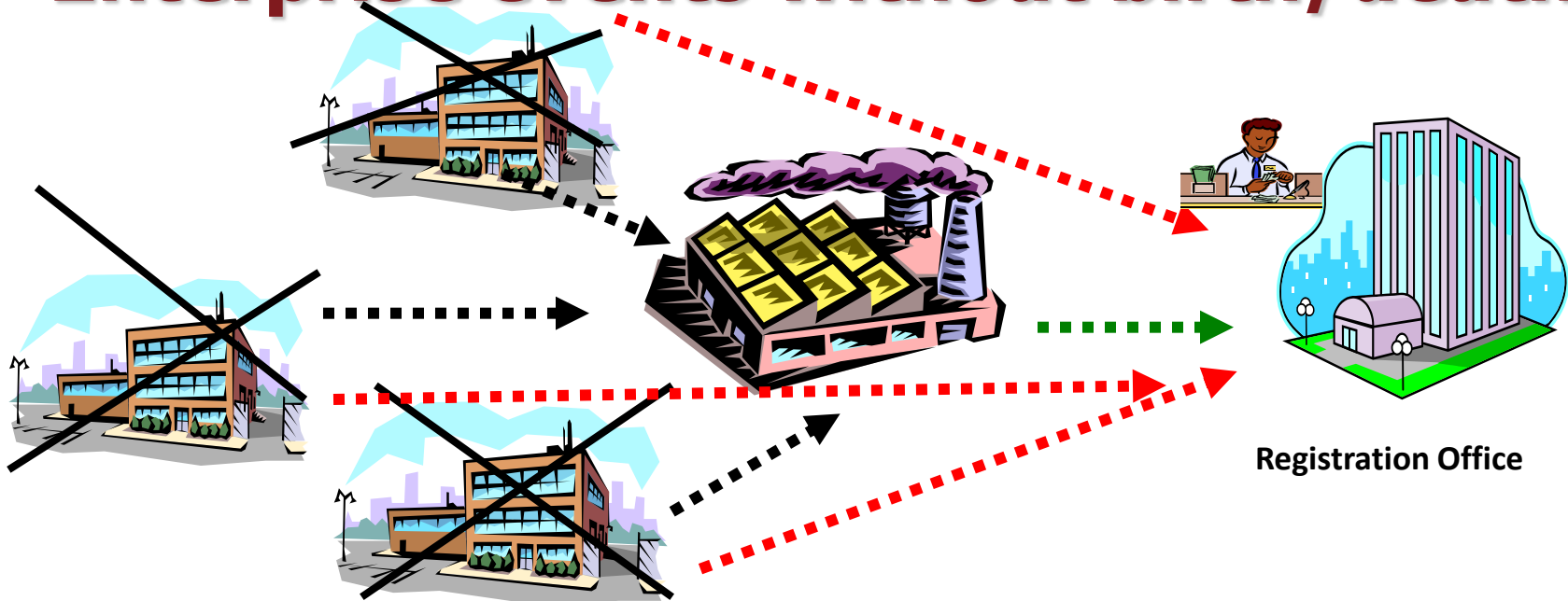
Change of ownership – One to one takeover

Enterprise events without birth/death



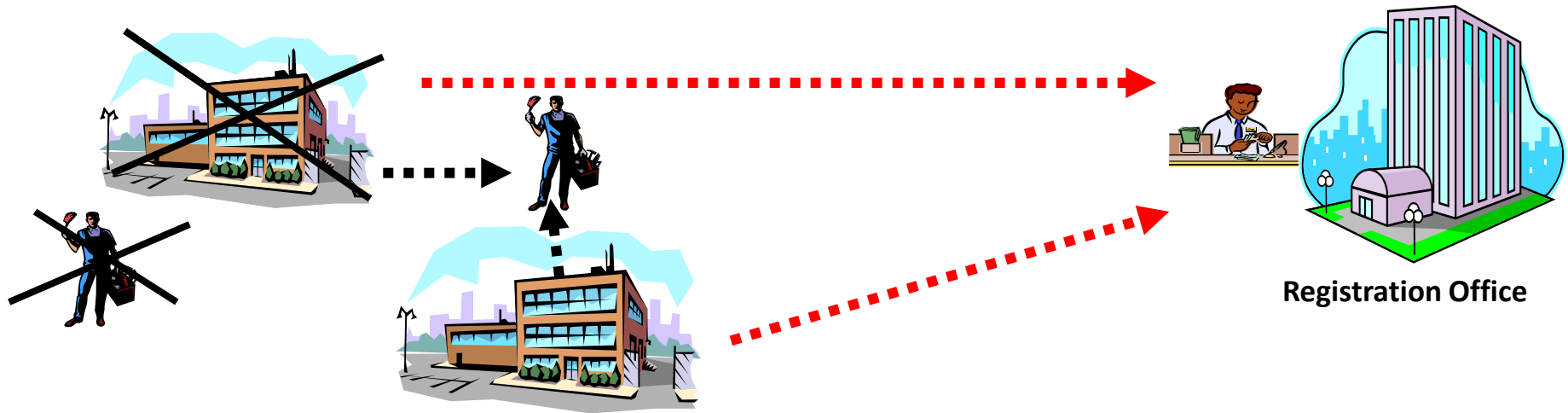
- Restructuring within an enterprise
 - ❖ *creation or deletion of a legal unit*
 - ❖ *change of enterprise group*

Enterprise events without birth/death



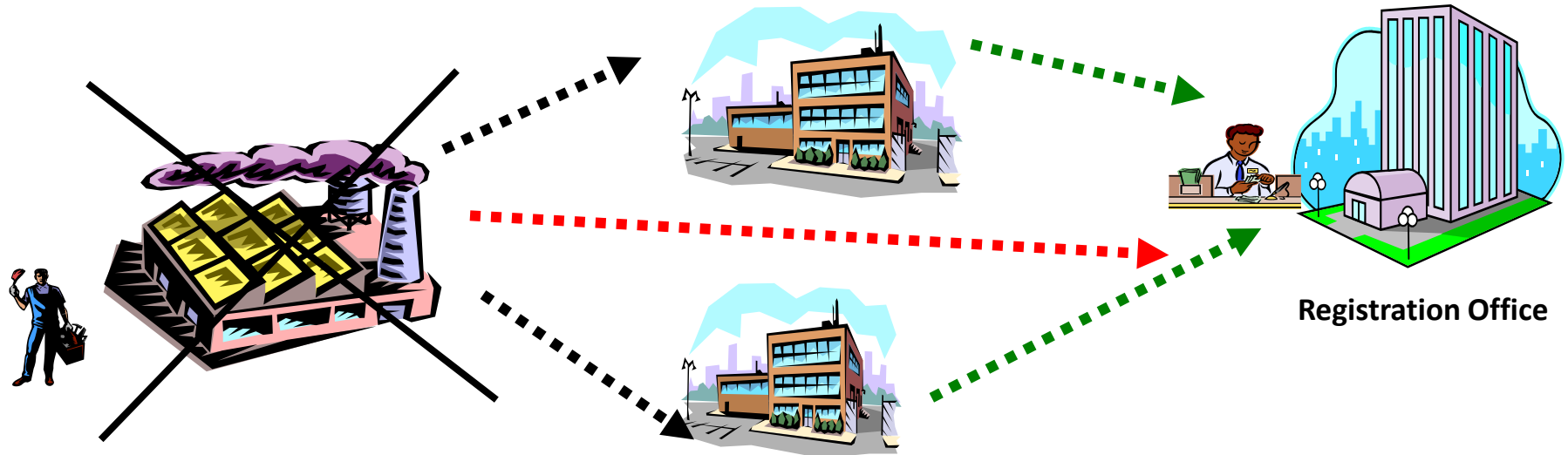
- Merger - New enterprise is not a birth
 - ❖ Cessation of units but no dissolution of production factors
 - ❖ Two or more enterprises integrate, all of them lose their initial identity
 - ❖ No death, prod. factors continue, more than one entç involved in event
 - ❖ One new ID number, two or more “deleted”

Enterprise events without birth/death



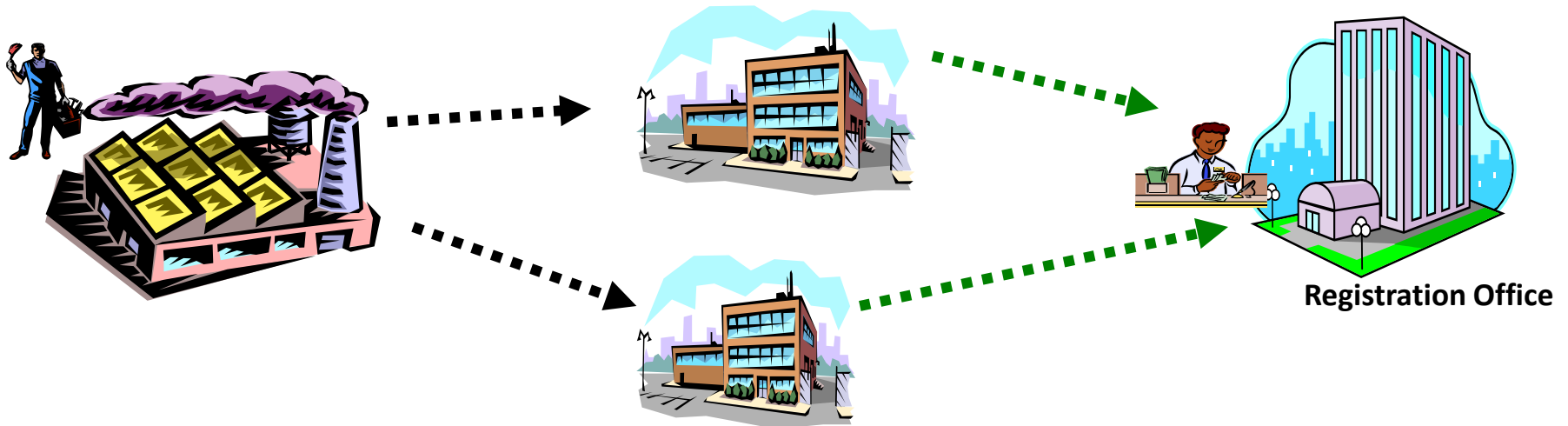
- Takeover - Cessation of units, but no dissolution of production factors
 - ❖ *No death*
 - ❖ *One of the enterprises keeps its identity (and ID number) and integrates the other(s), whose ID number is “deleted”.*

Enterprise events without birth/death



- Break-up - creation of units, but not of production factors
 - ❖ *Break-up (counterpart to merger)*
 - ❖ *One enterprise disappears (ID number “deleted”)*
 - ❖ *Two or more enterprises emerge from it (new ID numbers)*
 - ❖ *No births, no death*

Enterprise events without birth/death



- Split-off (counterpart to take-over)
 - ❖ *creation of units, but not of production factors*
 - ❖ *Split-off (counterpart to take-over)*
 - ❖ *One enterprise continues to exist (keeps ID number)*
 - ❖ *One or more enterprises emerge from it (new ID numbers)*
 - ❖ *No birth*

Enterprise – more complex events

- **Joint venture**: Two or more enterprises commit resources to a new one on a temporary basis. (new ID number)
- **Restructuring within an enterprise group**: Creation / cessation of enterprises within a group
- **Complex restructuring**: Enterprises or parts of them move between enterprise groups

SUMMARY

<i>Event</i>	Real, observable world		Business register	
	<i>Number of enterprises before the event</i>	<i>Number of enterprises after the event</i>	<i>Number of creations</i>	<i>Number of deletions</i>
Birth	-	1	1	-
Death	1	-	-	1
Change of ownership	1	1	-	-
Merger	n	1	1	n
Take-over	n	1	-	n-1
Break-up	1	n	n	1
Split-off	1	n	n-1	-
Creation of a joint venture	n	n+1	1	-
Cessation of a joint venture	n	n-1	-	1
Restructuring within an enterprise	1	1	-	-
Restructuring within an eg	n	n	0 or more	0 or more
Change of group	1	1	-	-
Complex restructuring	n	n	0 or more	0 or more

ENTERPRISE-CONTINUITY RULES

Change of controlling legal unit	No	Yes	No	No	Yes	No	Yes	Yes
Change of principal activity	No	No	No	Yes	No	Yes	Yes	Yes
Change of main location	No	No	Yes	No	Yes	Yes	No	Yes
Continuity of Enterprise?	Yes	Yes	Yes	Yes	No, but*	No	No	No

* exceptional case: an unincorporated business simultaneously moves to a new location and changes its legal form to become incorporated => continuation.

ENTERPRISE - REACTIVATION

Special case in terms of continuity

If reactivated within 24 months: enterprise continues

If reactivated after 24 months: death followed by a birth

LOCAL UNIT

Definition of local unit:

- The local unit is an enterprise or part thereof
 - ❖ A factory, office, mine or depot
- Situated in a geographically identified place.
- Economic activity is carried out for one and the same enterprise

*Council Regulation on Statistical Units 696/93

LOCAL UNIT BIRTH&DEATH

Birth

Creation of a combination of production factors a certain geographical location.

Death

Dissolution of the combination of production factors at a location.

LOCAL UNIT-CONTINUITY RULES

Change of enterprise link	No	Yes	No	No	Yes	No	Yes	Yes
Change of principal activity	No	No	No	Yes	No	Yes	Yes	Yes
Change of employment > 50%	No	No	Yes	No	Yes	Yes	No	Yes
Continuity of local unit?	Yes	Yes	Yes	Yes	No	No	No	No

=> Local unit continues if no or 1 factor changes;
it dies if 2 or 3 factors change.

Continuity of local unit that moves

Move over a short distance

If one or more of the three factors change as well, the unit loses its identity

Move over a long distance

The local unit loses its identity

What is a short distance?

Within a region

National conditions

LOCAL UNIT REACTIVATION

Special case in terms of continuity

If reactivated within 24 months: local unit continues

If reactivated after 24 months: death followed by a birth

=> Same rule as for enterprise reactivation

SERIES

SERIES (Annex IX):

9A: data collection broken down

by NACE activity and *legal form*

9B: data collection broken down

by NACE activity and *employee size class*

9C: estimated death data broken down

by NACE activity and *legal form*

9D: estimated death data broken down

by NACE activity and *employee size class*

Thank you