

OECD ENTREPRENEURSHIP INDICATORS PROGRAMME

STATUS REPORT TO THE EWING MARION KAUFFMAN FOUNDATION, AUGUST 2010

Introduction

This document provides a status report on the activities undertaken by the OECD in the framework of the Entrepreneurship Indicators Programme under the Grant Agreement with the Kauffman Foundation.

The Grant Agreement established that the Kauffman Foundation would provide financing to support work to be performed by the OECD in the following areas:

1. Extending the country coverage of the core indicators of entrepreneurial performance, i.e. firm birth, death, survival and growth.
2. Refining and improving the core entrepreneurship indicators.
3. Developing indicators on determinants of entrepreneurship.
4. Analysis of entrepreneurial determinants, performance and impacts.
5. Regular publication of entrepreneurship indicators.

An additional task involved the delivery of a final report no later than June 1 2010. Following a request by the OECD, it was agreed that the grant would be spent by the OECD until June 2011. The final report will therefore be delivered accordingly.

Report on activities

The following sections report the progress made by the OECD under each of the areas of work listed above.

1. Extending the country coverage of the core indicators of entrepreneurial performance

The countries/regions currently covered by the EIP database of core indicators are: Austria, Brazil, Bulgaria, Canada, Denmark, Estonia, Finland, Hungary, Israel, Italy, Latvia, Lithuania, Luxembourg, New Zealand, Norway, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden, United States, and Andalucia (Spain). This list includes five countries that joined the Entrepreneurship Indicators Programme in the second half of 2009.

Several actions were undertaken to extend the coverage of performance indicators to additional countries, in particular: large OECD countries not yet participating in the programme, i.e. Australia, France, Germany, Japan and United Kingdom; OECD accession and engagement countries¹ and other G20 countries (Argentina and Saudi Arabia). The outcomes are:

- Australia and the United Kingdom might produce data for performance indicators to be presented in the next EIP publication, in November 2010.

- Eurostat, supported by the OECD, obtained EU Member States' agreement that the collection of "employer business demography" data become a legal European Union act, as opposed to the present

¹ OECD Accession countries are: Chile (member since May 2010), Estonia, Israel, the Russia Federation and Slovenia (member since June 2010). Enhanced engagement countries are: Brazil, India, Indonesia, China and South Africa.

voluntary status of this data collection. Once the legislative process is completed, a EU regulation will set the terms of the collection of core performance indicators at the European level to be done annually on a regular basis.

- Japan joined the Steering Group of the EIP and intends to contribute to the development of the programme. Japan is setting the basis (namely, building a business register) to produce business demography data according to the harmonised EIP definitions; the first results will be available in 2012.

- For non-OECD G20 countries and other emerging and developing countries, contacts were established through the OECD accession programme, UNCTAD and the OECD Private Sector Development Division (for Western Balkans and Middle East and North Africa-MENA countries).

- UNCTAD expressed interest in using the EIP comprehensive framework of indicators as a reference model for the development of entrepreneurship measures in emerging and developing countries. Depending on the availability of resources, UNCTAD might start the collection of a reduced set of the EIP performance indicators in emerging and developing countries, adapted to the challenges of data collection in these countries.
- The MENA-OECD Investment Programme, Working Group on SME Policy, Entrepreneurship and Human Capital, decided to include the development of EIP core indicators in its programme of work. While the time schedule will be discussed in Fall 2010 and the EIP implementation in the MENA region could take some time, Morocco and Saudi Arabia intend to start their data collection in the near future.
- Brazil started the production of EIP core indicators in 2009 and joined the Steering Group in 2010. Chile expressed interest in becoming member of the Steering Group in order to better prepare for the data collection of EIP core indicators.

2. Refining and improving the core entrepreneurship indicators

- Work has been planned and/or is ongoing to develop indicators of *women entrepreneurship, green entrepreneurship, and migrant entrepreneurs*. This responds to a demand of statistical and analytical support expressed by analysts and policy makers (see table below). For each of the three research topics the approach involves reviewing existing measures implemented at the national level, with the aim of identifying a set of suitable measures for a harmonised cross-country collection.

Indicators	Contributing to:	Time bound
1. Green entrepreneurship	OECD Green Growth Strategy	Q4 2010
2. Women entrepreneurship	OECD Horizontal Project Gender Equality in the Economy: Education, Employment and Entrepreneurship	Q2 2011
3. Migrant entrepreneurs	OECD work on Entrepreneurship and Employment creation of immigrants in OECD countries	Q4 2011

While Activities 1 and 2 have already started, Activity 3 will be launched in 2011. Also, in light of the growing interest on *social entrepreneurship*, a review of related definitions and measures has been considered. A specific research strategy to address this distinct form of entrepreneurship will be devised in Fall 2010; Sweden indicated interest to be actively involved in this project.

- Following comments and suggestions by EISG members concerning the published EIP data of gazelle shares, work was undertaken jointly with EBST (Denmark) to test different ways of calculating the

share of gazelles. The sensitivity analysis on high-growth firm and gazelle rates focuses on alternative population of firms for the denominator. The results of this work will be available in the course of October 2010.

- Exploratory work was performed to develop more “timely indicators” of entry and exit rates by using alternative national data series (*e.g.* chambers of commerce, business associations, bankruptcies). While the performance indicators produced by the EIP have a high degree of comparability as they are based on internationally harmonised definitions, their downside is that they typically are two- or three-years old. The findings were presented in the 2009 edition of the EIP Digest of Indicators (see below under point 5).

- Finally, a new stream of work deals with the production of performance indicators of: *ownership rate of start-ups and business population*; and *value added, productivity contribution, innovation and job creation by young firms*. In order to produce these indicators, two complementary channels have been identified: the utilisation of commercial databases (in particular ORBIS and D&B) and the linking of different types of official microdata datasets. While the first solution can be directly implemented by the EIP staff, the latter approach is conditional on countries willingness to engage in a coordinated exercise. This would not imply data sharing but coordination among countries, along the lines of what is already done for business demography statistics. NSOs would work separately on their own data, although using harmonised definitions and methodologies to produce comparable indicators.

On that respect, the EIP staff proposed to the EISG members that the microdata linking become a direction for future work of the Entrepreneurship Indicators Programme. This approach was deemed acceptable by the EISG members, as discussed during a conference call on 20 May 2010. Most countries in the Steering Group have engaged or are planning some form of business microdata linking. In some countries, there exists already an integrated firm-level database (*e.g.* the US Longitudinal Business Database).

3. Developing indicators on determinants of entrepreneurship

This area of work is aimed at improving the selection of indicators for each of the six determinant areas by identifying additional or alternative indicators from existing sources and developing new indicators when needed.

- In 2010 work was undertaken in the area of “access to finance” to enhance comparability of measures of equity capital:

- The definition of *venture capital* currently used by the EIP for harmonising venture capital data across countries was revised; new data on venture capital will be compiled accordingly.

- A review of concepts and methodologies for the collection of data on *business angels* has started. This task is performed in association with the European Business Angels Network (EBAN).

- Work started in August 2010 investigating the possibility of constructing indicators based on information collected from invested firms as opposed to data collected from venture capital or business angels associations. The indicators would results from combining information available in commercial firm-level databases with data collected by business angels associations.

An *EIP Workshop on Entrepreneurial Determinants* will be organised in co-operation with by Eurostat on 2-3 December 2010. It will take place in Luxembourg, at Eurostat Headquarters. While previous EIP Workshops focused on “knowledge creation and diffusion” (2008) and “access to finance” (2009), the 2010 Workshop will review “entrepreneurial capabilities” and “entrepreneurship culture”. The

goal of the Workshop is to identify/develop relevant indicators in these two areas of entrepreneurship determinants.

4. Analysis of entrepreneurial determinants, performance and impacts

Work pertaining to this Activity consists in providing support to OECD staff performing statistical and econometric analysis on the relationship between determinants, performance and impact of entrepreneurship. Outcomes are expected for the end of 2010 and in 2011.

5. Regular publication of entrepreneurship indicators

November 2009: The second edition of *Measuring Entrepreneurship: A Digest of Entrepreneurship Indicators* was published in November 2009. It contained entrepreneurial performance indicators produced by the EIP together with structural data on the business sector and a selection of indicators of determinants, drawn from OECD original databases and other sources, including the World Bank, GEM, European Commission (Eurobarometer) and the WEF.

November 2010: A new data publication is planned for mid-November 2010, on the occasion of the Global Entrepreneurship Week. It will consist in a *EIP statistical and policy brief* featuring few core indicators accompanied by key messages concerning the recent trend and issues in entrepreneurship across countries.

Q1 2011: A new flagship publication “*Entrepreneurship at A Glance*” will be published in the OECD “at a glance” series in the first quarter of 2011. All ‘at a glance’ books provide an immediately accessible overview of individual topics and use the same double-page format - presenting tables, graphs, explanatory text and references for further reading for each indicator. *Entrepreneurship at A Glance* will present the full set of performance and determinant indicators produced and collected by the EIP. The publication will also contain thematic chapters clarifying conceptual and methodological issues in measuring entrepreneurship and its determinants and proposing sets of harmonised indicators to be implemented by countries.