Enterpreneurship patterns across European Union, 2008-2017

Hello!

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Aim

- The purpose of the presentation is to analyze some key-aspects regarding entrepreneurship in the EU
- It also aims to inform fellow students considering career choices and tries to send the following message:

Aim

- If you think working for a company or the government is not for you, the opportunity of starting your own business is just around the corner
- In this way, you provide value added both for you and your country and society

Content

- Analyzing 5 entrepreneurship measures in the EU from 2008 to 2017
  - Birth Rate of enterprises
  - Death Rate of enterprises
  - Number of 3-year-old enterprises survived
  - Employment share of 5-year-old enterprises
  - Average size of 5-year-old enterprises

    (27 out of 28 EU countries)

Birth Rate and Death Rate of enterprises

$$Birth\ rate = \frac{number\ of\ enterprise\ births\ in\ the\ reference\ period\ (t)}{number\ of\ active\ enterprises\ in\ the\ reference\ period\ (t)}$$

$$Death\ rate = \frac{number\ of\ enterprise\ deaths\ in\ the\ reference\ period\ (t)}{number\ of\ active\ enterprises\ in\ the\ reference\ period\ (t)}$$

- We apply the OECD min-max method to generate useful indices and easily compared the situation across countries

OECD min-max method

1. We separated the decade we are analyzing into 5-year periods
2. After sorting in ascending order the observations, we put the number 0 to the lower values and the number 10 to the higher ones
3. We pick the minimum and the maximum value and calculating the indexes as followed:

OECD min-max method

- $X_i^{\wedge} = \frac{x_i - \min(x)}{\max(x) - \min(x)} \cdot 10, for\ the\ variables\ that\ maximum\ value\ is\ wanted\ (Birth\ Rate)$
- $X_i^{v} = \frac{\max(x) - x_i}{\max(x) - \min(x)} \cdot 10, for\ the\ variables\ that\ minimum\ value\ is\ wanted\ (Death\ Rate)$
- This way, every observation will be converted to a relative index that looks like an exam grade, in which 0 is the minimum and 10 is the maximum

Birth Rate and Death Rate of enterprises

OECD min-max method

	Birth Rate Index (2008-2012)	Birth Rate Index (2013-2017)	Death Rate Index (2008-2012)	Death Rate Index (2013-2017)
Average	4,156	3,679	5,302	5,633

- Birth Rate Index decreased to the second period, with only 7 out of 27 countries having a higher index than the first period
- 17 out of 27 countries had a higher Death Rate Index in the second 5-year period
- We notice a reduced will for people to start their own business, while countries of the EU are performing relatively better at making their enterprises survive

Survival Rate of 3-years-old enterprises

- $Survival\ Rate =$

$$= \frac{number\ of\ enterprises\ in\ the\ reference\ period\ (t)\ born\ in\ t-3, having\ survived\ to\ t}{number\ of\ enterprise\ births\ in\ t-3}$$

- 26 out of 27 countries have an average survival rate percentage of over 50% → If you start operating your own business in the EU, it is most likely that it will still exist after three years

Survival Rate of 3-years-old enterprises

Remarkable observations

- After separating the decade to two 5-year periods, we can see:
  - 16 out of 27 countries have an average difference percentage lower than 5% → stability
  - Belgium's percentage dropped from 92% to 73%
  - Rep. of Ireland's percentage increased from 66% to 89%
  - Finland's percentage dropped from 64% to 54%

➢ General stability but some big augmentations (Ireland, Lithuania, Latvia, Netherlands, Slovakia) created a fall on relative indexes

Survival Rate of 3-years-old enterprises

OECD min-max method

	Survival Rate Index (2008-2012)	Survival Rate Index (2013-2017)
Average	5,462	4,306

- Survival Rate Index decreased to the second period with only Rep. of Ireland and Slovakia having a greater index to the second period, although other countries as well noted an increase in net percentages
- Heterogeneity between the countries → Two speeds inside the EU

Employment share of 5-year-old enterprises

- $$Employment\ share\ of\ 5-year-old\ enterprises = \frac{number\ of\ persons\ employed\ in\ enterprises\ newly\ born\ in\ t-5\ having\ survived\ to\ t}{number\ of\ persons\ employed\ in\ the\ population\ of\ active\ enterprises\ in\ t}$$

- 19 out of 27 countries feature a percentage more than 2% → on most of the EU, more than 2 out of 100 employees are working to an enterprise founded 5 years ago

- The average percentage is 2,47%

Average size of 5-year-old enterprises

- $$Average\ size\ of\ five-year-old\ enterprises = \frac{no.\ of\ employees\ in\ the\ reference\ period\ (t), among\ enterprises\ born\ in\ t-5\ having\ survived\ to\ t}{number\ of\ enterprises\ in\ t\ newly\ born\ in\ t-5\ having\ survived\ to\ t}$$

- The average size in terms of staff of a 5-year old company in the EU is 3,34 people

- In 12 out of the 27 EU member-states the average 5-year-old company has a staff of more than 3 people

Conclusions

Two out of three countries of the EU had a better birth rate than death rate of enterprises

In almost all the member-states of the EU over half of the companies made it to their third birthday

One out of forty employees in the EU works for a 5-year-old company

The average size of these newly born companies is more than 3 employees

Crisis periods offer opportunities to innovate and make a difference

Maybe this moment is the best to bring ideas to life and try creating something pioneering

Credits

Special thanks to Mr. Prodromos Prodromidis for consulting and helping me for this presentation

- Sources:
  - ec.europa.eu/eurostat
  - oecd.org
  - kepe.gr

Thanks!

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