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Enabling experimentation – why young firms matter for jobs and growth

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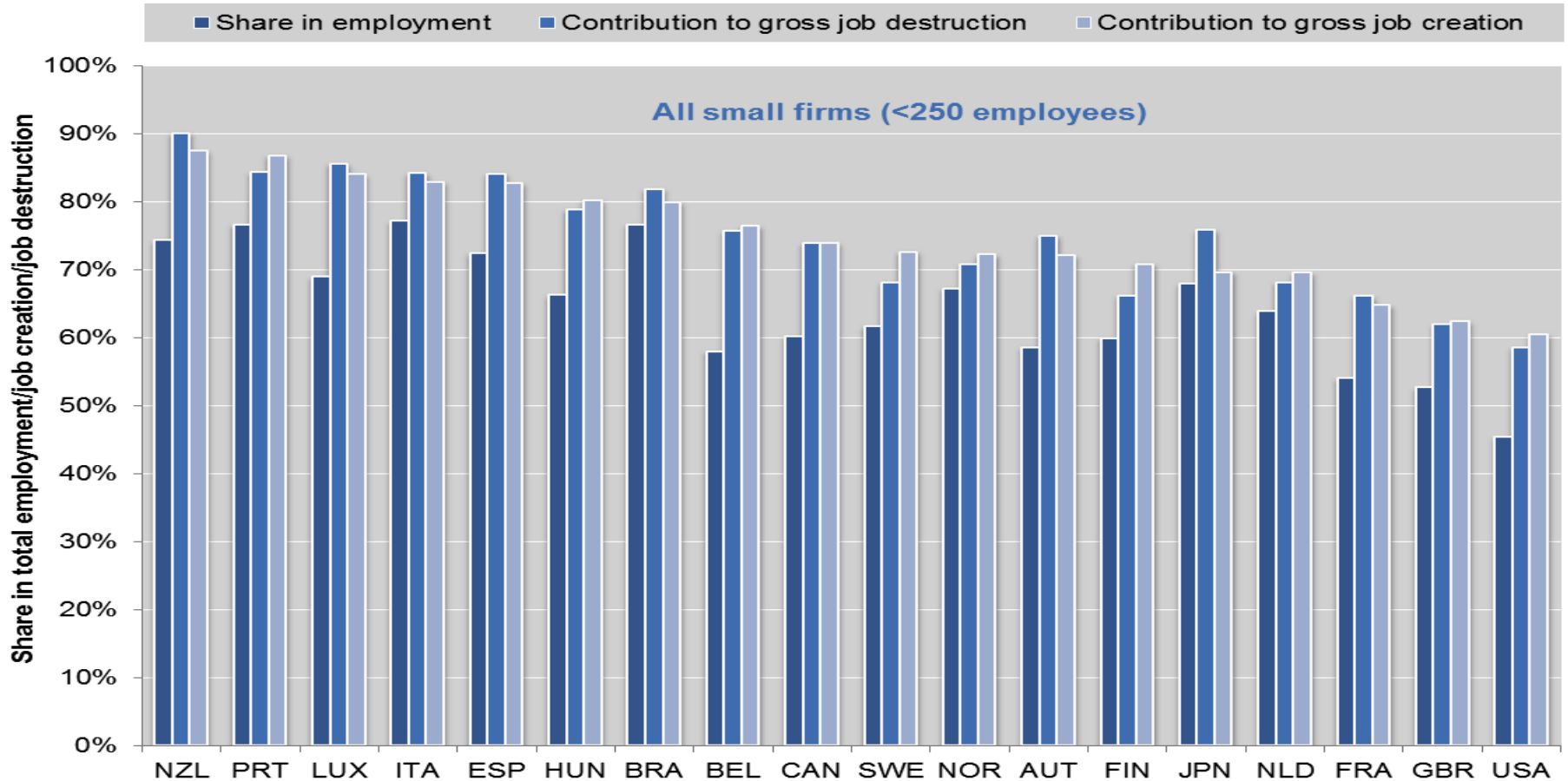
Outline

- New evidence on young SMEs
- Policies for entrepreneurship and experimentation
- The role of ICT and skills



Small firms are important for employment ...

Contributions of SMEs to employment, job creation and job destruction, 2001-2011

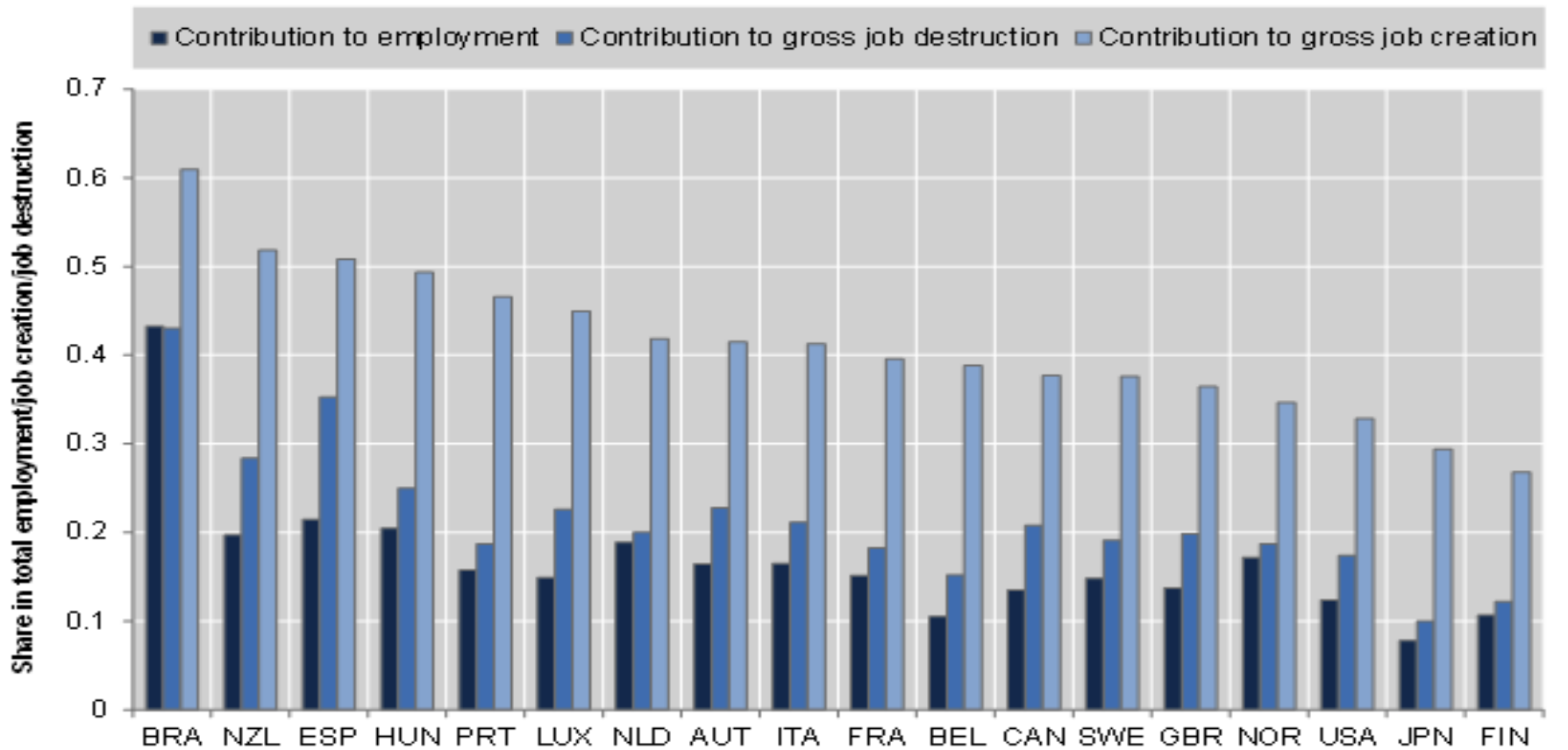


Source: Criscuolo, Gal and Menon (2014), www.oecd.org/sti/dynemp.htm



... but it is young SMEs that create the new opportunities ...

Contributions of young firms to employment, job creation and job destruction, 2001-2011

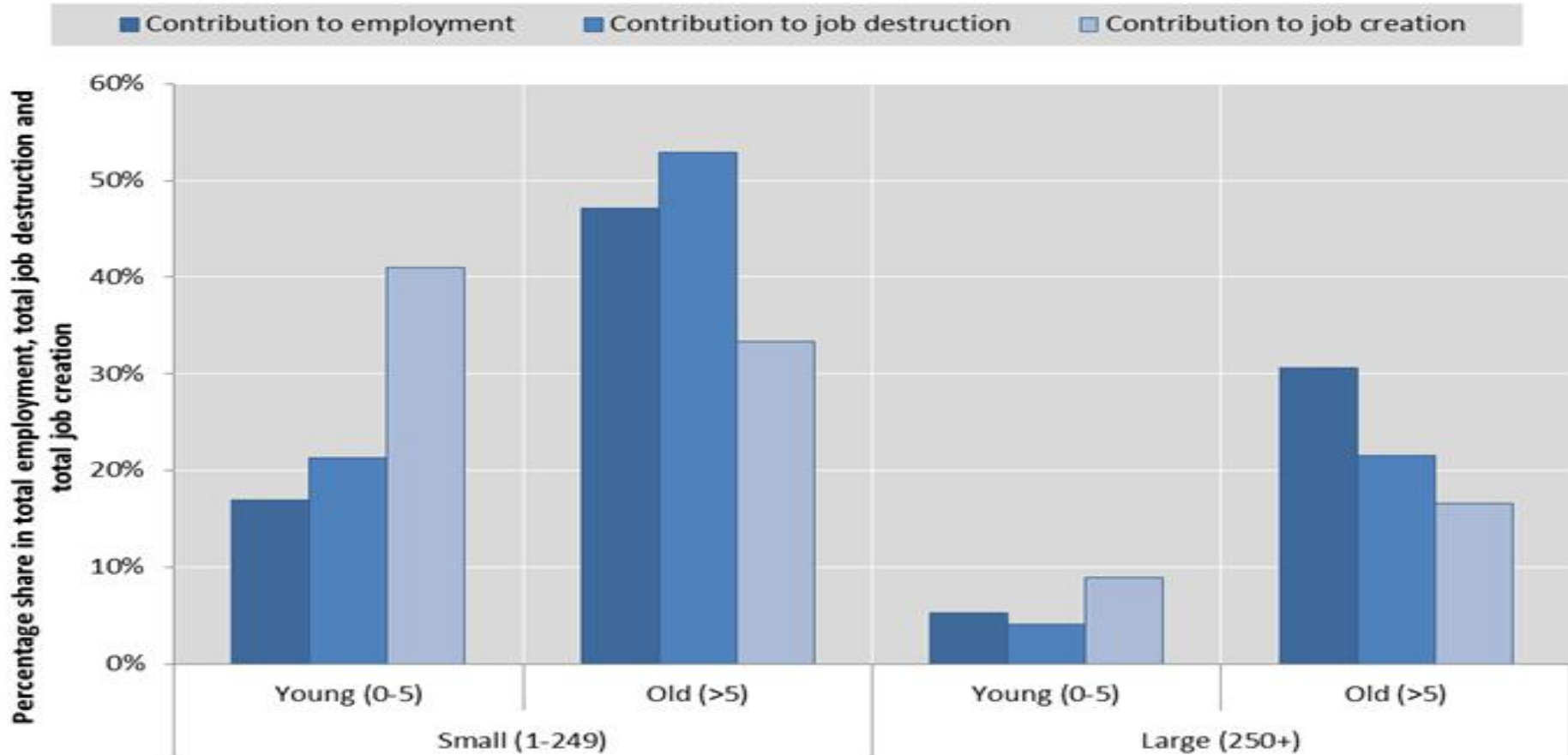


Source: Criscuolo, Gal and Menon (2014), www.oecd.org/sti/dynemp.htm



... and not all SMEs

Average over 18 countries, 2001-2011, in %

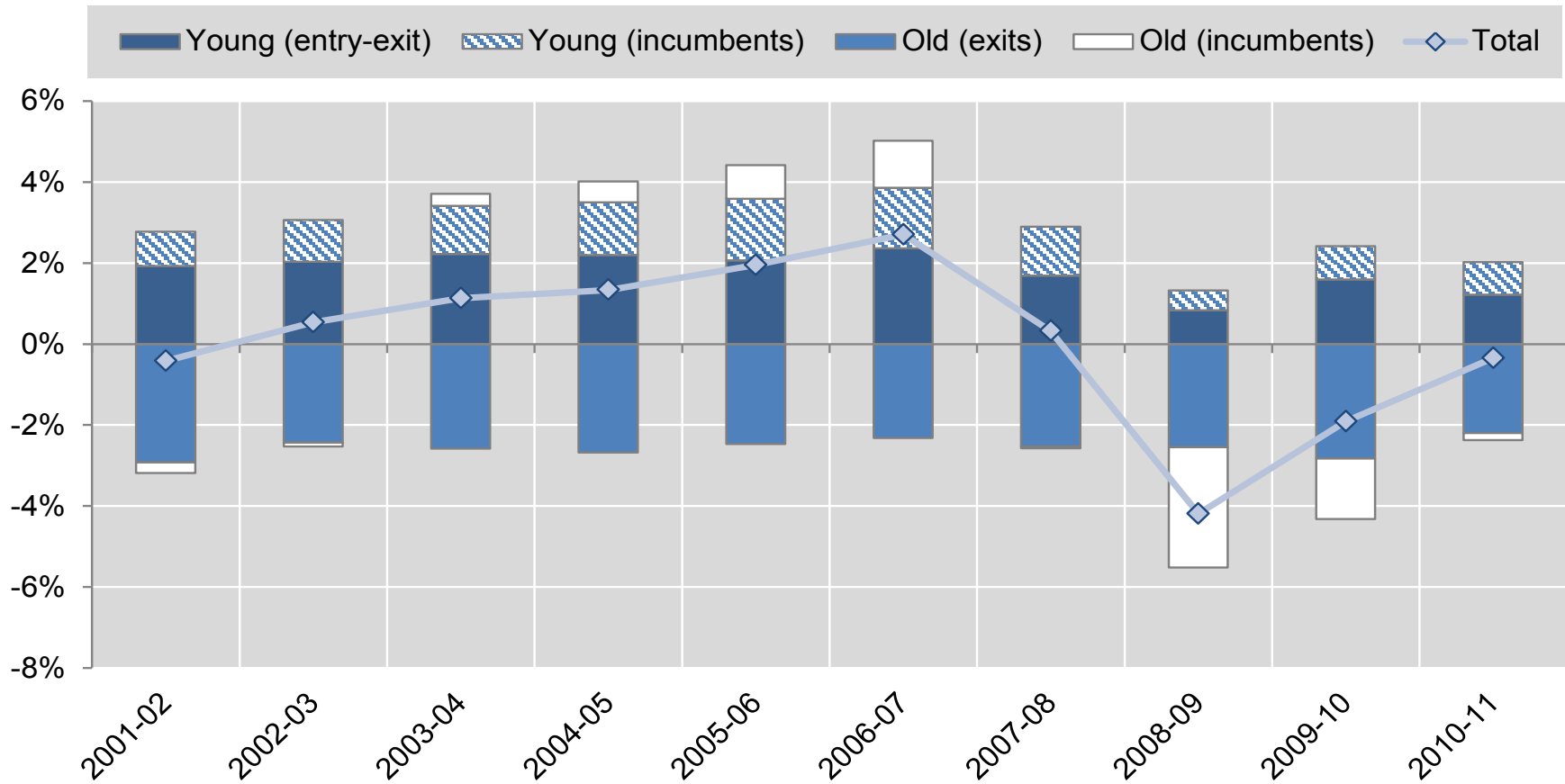


Source: Criscuolo, Gal and Menon (2014), www.oecd.org/sti/dynemp.htm



During the crisis, old firms destroyed more jobs

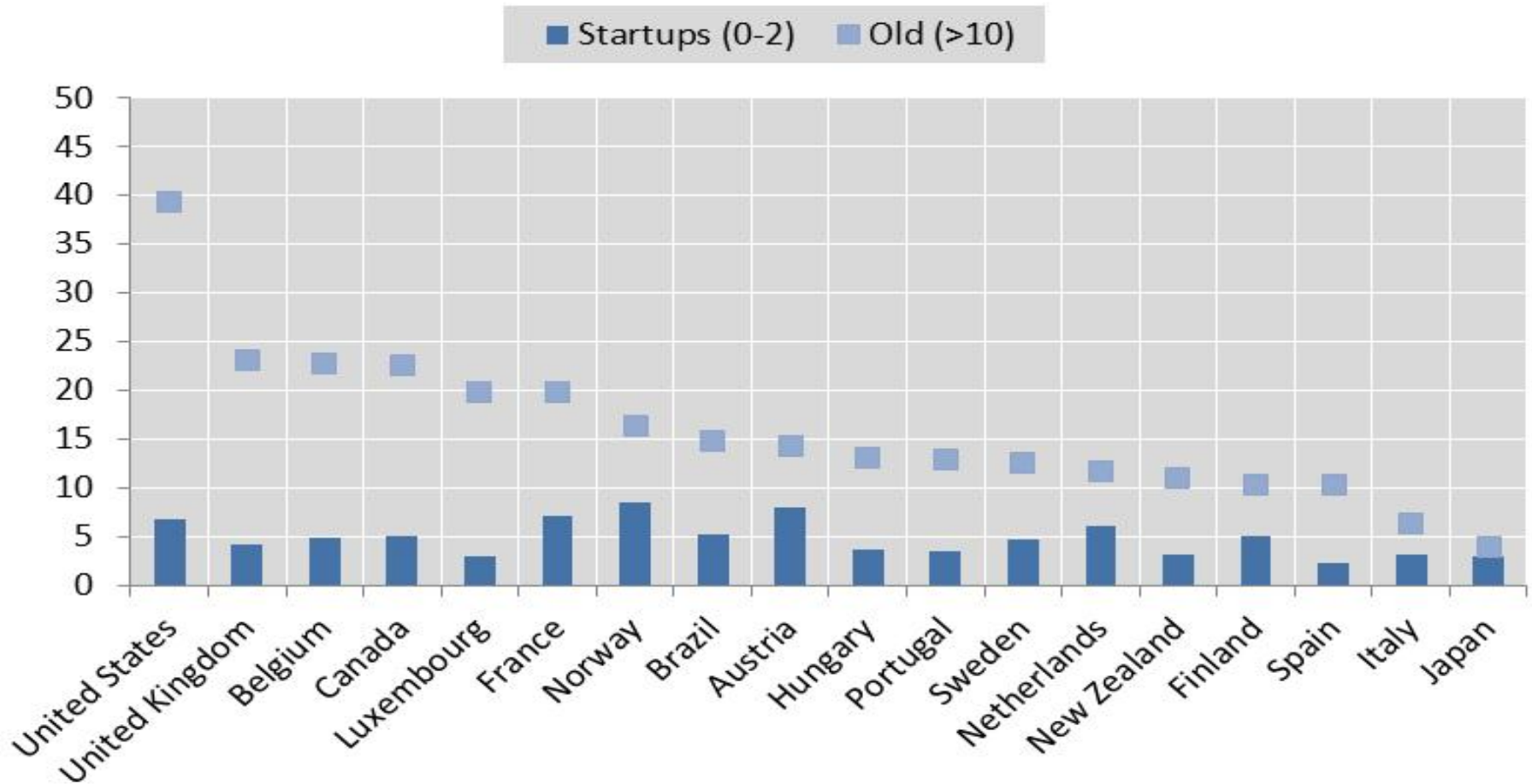
Average over 18 countries, 2001-2011, in %





Growth of young firms is a challenge in many OECD countries ...

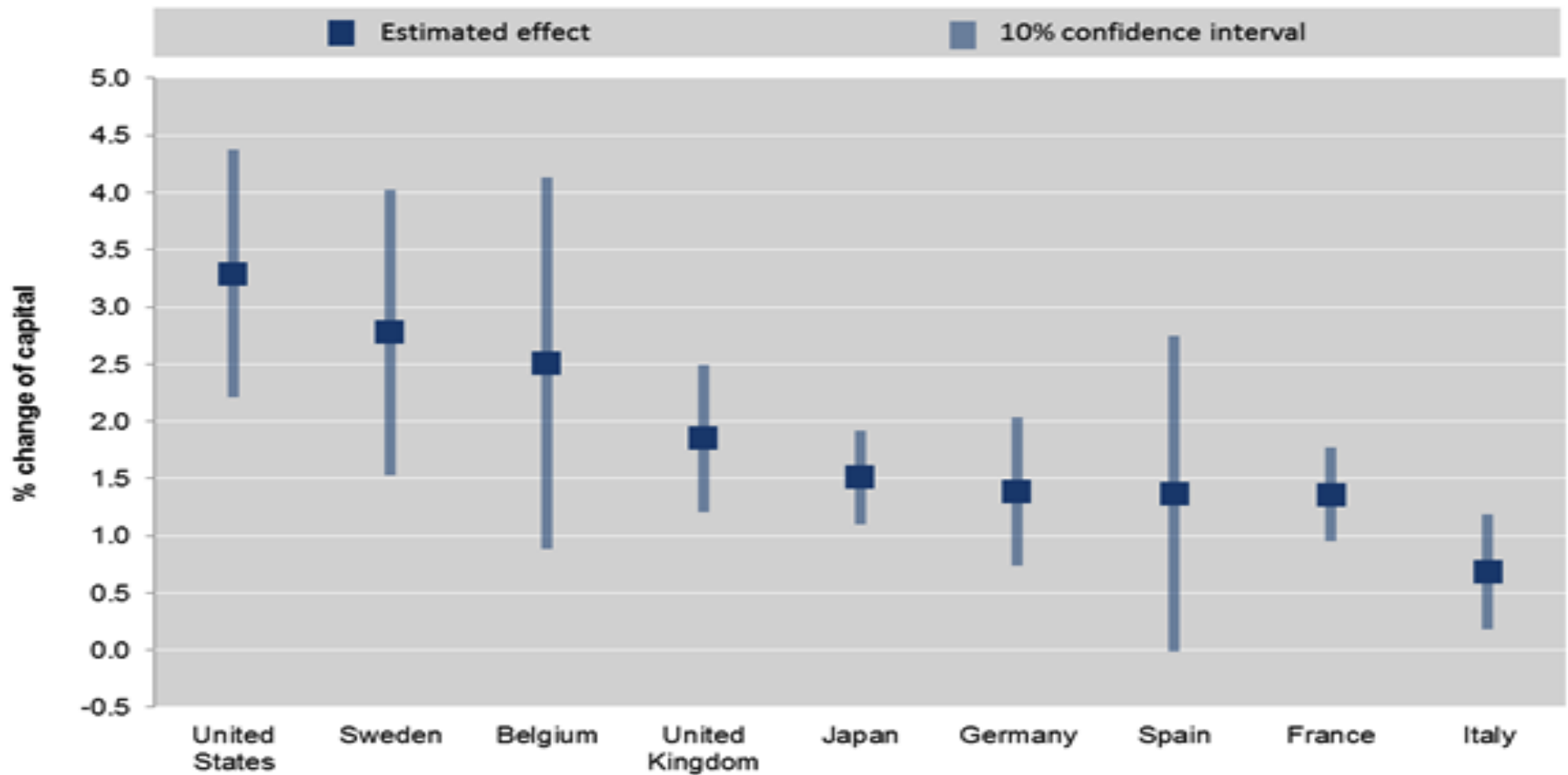
Average size of start-ups and old firms, in persons employed, services sector





... as resources in some countries don't flow to the most innovative firms

Change in capital stock associated with a 10% change in patent stock (2003-2010)

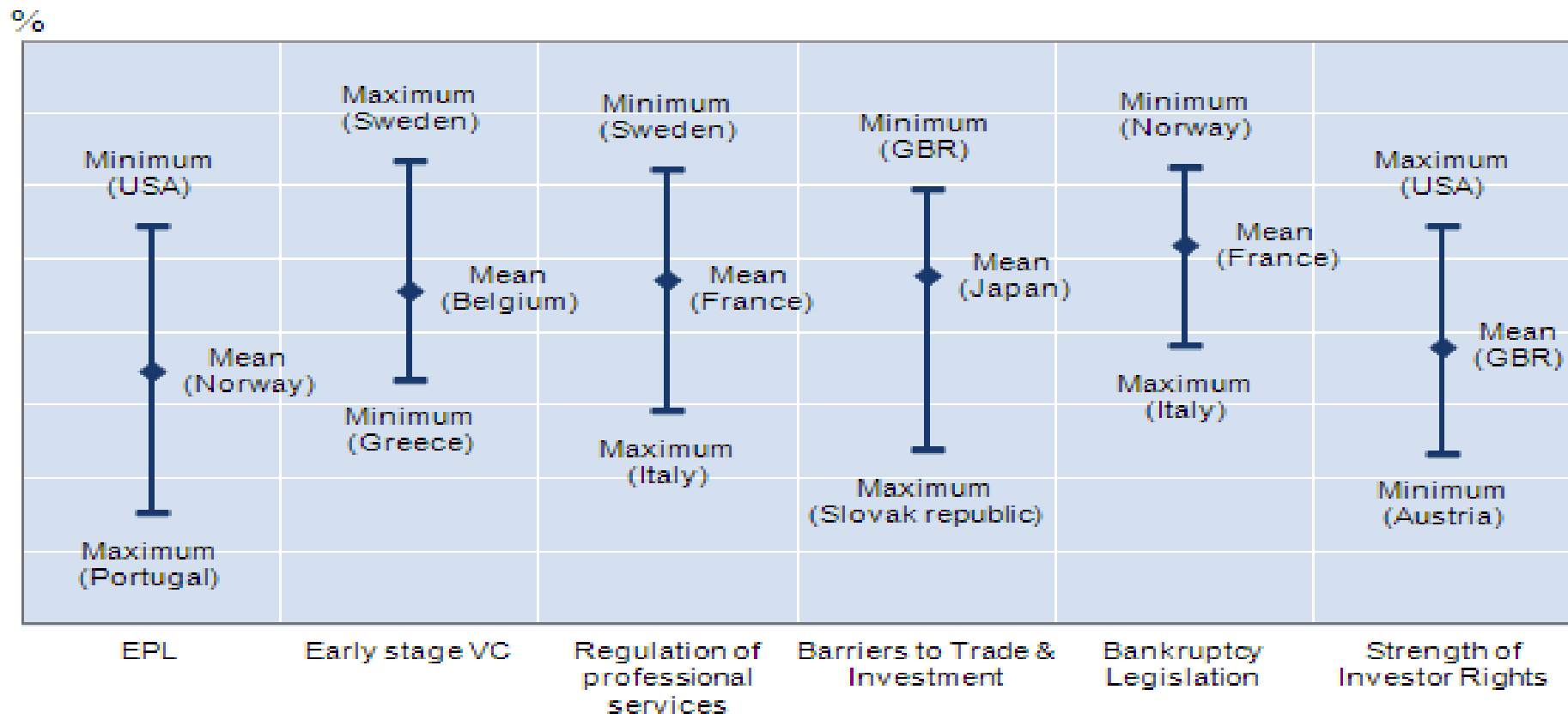


Source: Andrews, Criscuolo, and Menon (2014).



A range of policies influence the reallocation of resources to innovative firms

Change in firm capital associated with a 10% change in the patent stock
Selected OECD countries; 2002-2010





Key findings

1. Net job creation does not come from all small firms, but only from those that are **young**.
2. **Growth of young innovative firms** means “up” or “out”; entrepreneurs need flexibility to experiment with new technologies (such as the Internet) and new business models.
3. **Growth dynamics** of firms differs across countries; in some countries, firms hardly scale after entry.
4. **Policy matters**, and has impacts on the scope for experimentation, and for the allocation of resources to the more innovative firms.

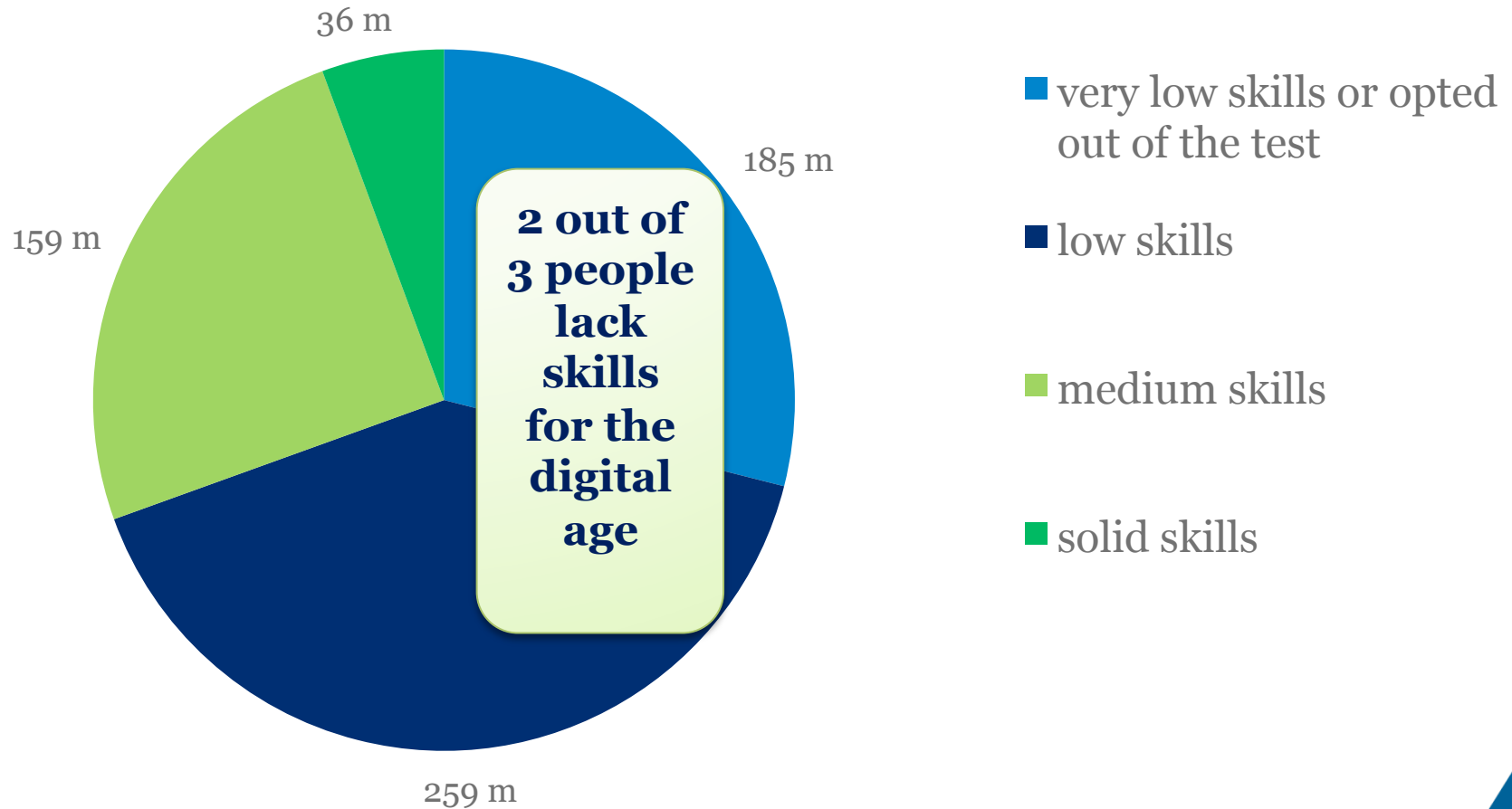


Policies for Europe to unlock job creation from young firms

- **Enable experimentation:** Reduce barriers to the entry (e.g. red tape), growth (e.g. size-specific regulations), and exit/failure of firms (e.g. penalising bankruptcy legislation, overly strict employment protection legislation).
- **Level the playing field for new and innovative firms:** Some policies favour incumbents and MNEs (e.g. R&D tax credits).
- **Strengthen the innovation system for young and innovative firms,** e.g. through enhanced access to (risk) capital, network development, mentoring of entrepreneurs, skills development, etc.
- **Complete the European Internal Market,** so firms can scale more easily across borders.
- **Celebrate entrepreneurship.**



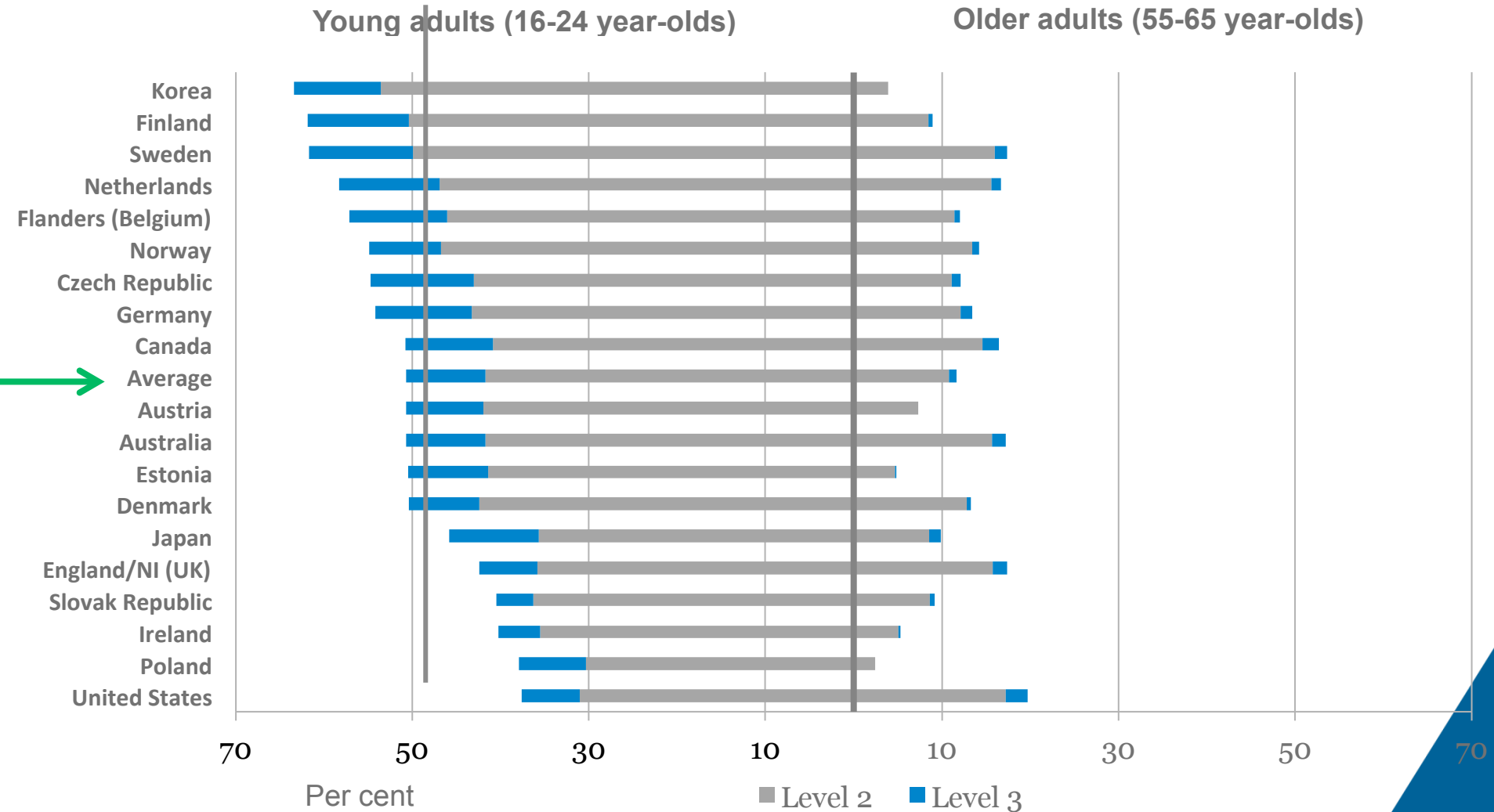
Skills are a challenge: 2 out of 3 people lack the skills to succeed in a technology-rich environment





Though young people score higher!

Share of young and old adults at the two highest proficiency levels in “problem solving in technology-rich environments”





Need for national skills strategies

- Develop / strengthen links between the **world of learning and the world of work**, e.g. in pairing ICT with sector-specific skill needs
- Provide relevant **training** for workers, including ICT skills;
- **Convince adults** of the benefits from better skills – **learn to learn**;
- Provide **easy-to-find information** about adult education activities;
- Use **new technologies** for online learning, such as MOOCs (Massive Open Online Courses)
- Recognise and **certify skills proficiency**.



Thank you

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