

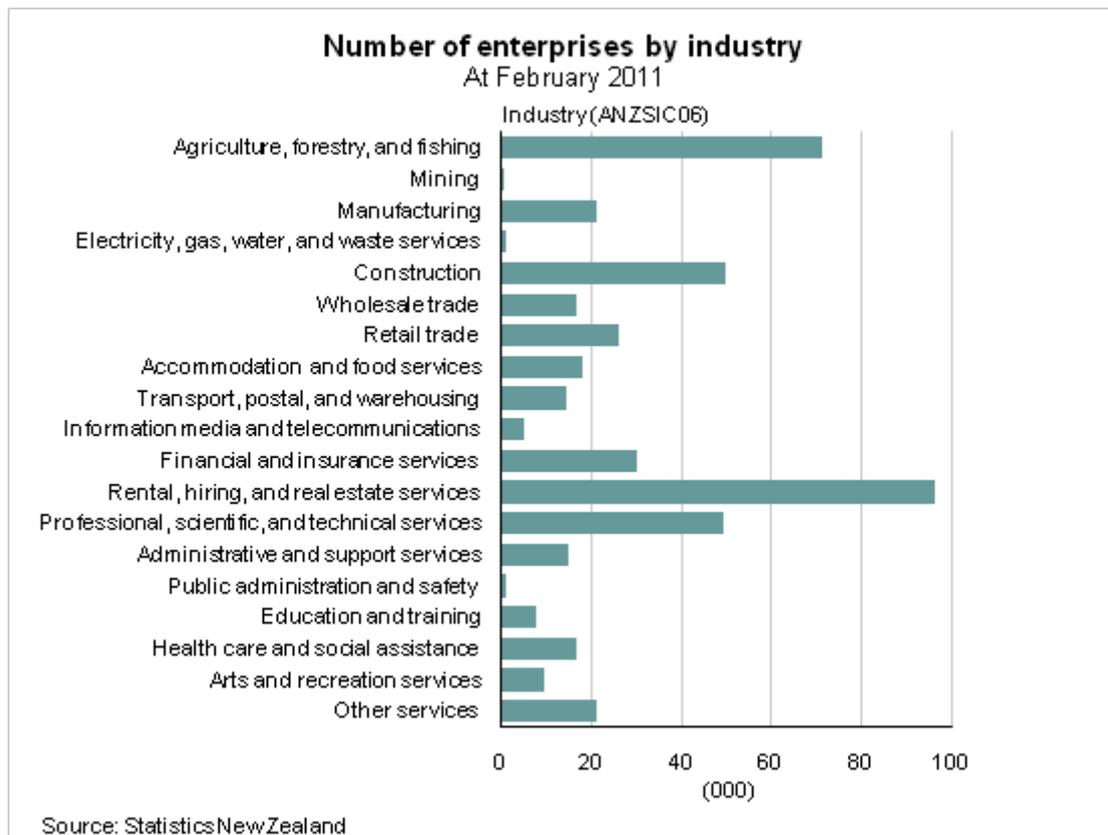
New Zealand Business Demography Statistics: At February 2011

Embargoed until 10:45am – 31 October 2011

Key facts

Compared with February 2010, provisional figures at February 2011 showed:

- There were 470,050 enterprises, down 0.6 percent.
- The number of enterprises fell for the second consecutive year (each of the preceding eight years saw an increase).
- There were 42,370 enterprise births over the year, down 9.1 percent.
- There were 48,950 enterprises that ceased over the year, down 7.9 percent.
- There were 1.91 million paid employees (not an official employment statistic), up 0.4 percent.
- Rental, hiring, and real estate services remained the largest industry with one-fifth of all enterprises.
- The manufacturing industry continued to be the largest employer (225,300 employees), but this number was down 1.3 percent.
- The Auckland region (which has the same geographic boundaries as the Auckland Council) had 32 percent of all business locations and 33 percent of all paid employees.



Cathryn Ashley-Jones
Acting Government Statistician

31 October 2011
ISSN 1174-1988

Commentary

- Little change in number of enterprises and employees
- Number of enterprises decreases across most industries
- Business locations decrease across all regions except Auckland
- Smaller businesses lose most employees
- Enterprise groups have 40 percent of all employees
- Enterprise deaths exceed enterprise births for second year in a row

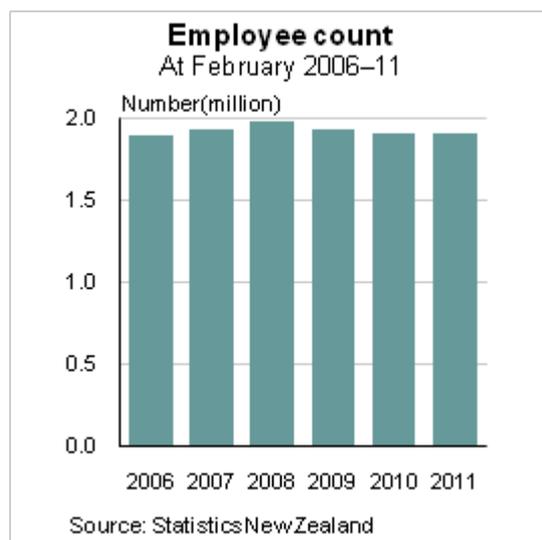
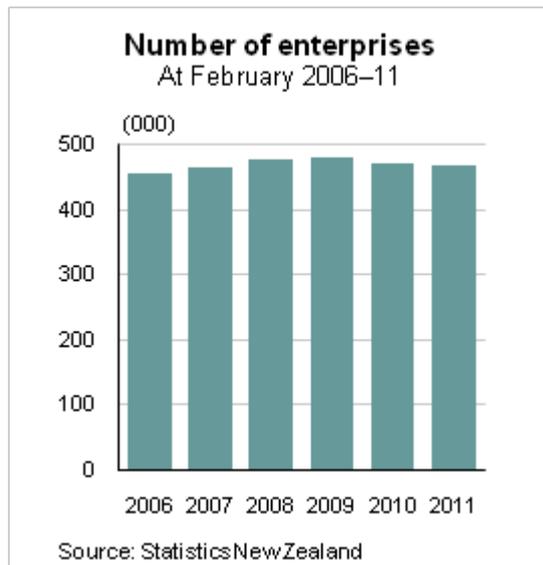
Please note that all figures in this release are provisional and the time series is revised back to 2000.

Little change in number of enterprises and employees

At February 2011, the total number of enterprises in New Zealand was 470,050, a decrease of 2,890 (0.6 percent) from 2010. This follows a larger decrease of 1.5 percent between 2009 and 2010. During the eight-year period between 2002 and 2009, the number of enterprises saw an increase every year.

The total number of business locations (geographic units) associated with these enterprises was 505,190 at February 2011. This was a decrease of 3,040 (0.6 percent) from 2010.

These enterprises had a total of 1.910 million paid employees at February 2011, a marginal increase of 6,800 employees (0.4 percent) compared with February 2010. (The number of paid employees, or employee count, is treated in this statistical series as a business size measure statistic, not as an official employment statistic).



Number of enterprises decreases across most industries

Rental, hiring, and real estate services continued to be the industry with the largest number of enterprises (96,240 at February 2011), representing 20 percent of all enterprises in New Zealand. Between February 2010 and 2011, this industry recorded a small decrease in the number of enterprises (down 280 or 0.3 percent). This is the second annual decrease for this industry (down 0.4 percent in 2010) since the beginning of the current series in 2000. The majority of enterprises in this industry (95 percent at February 2011) were non-employing businesses. In comparison, only 69 percent of businesses across all industries were non-employing.

Agriculture, forestry, and fishing continued to be the second-largest industry in terms of the number of enterprises (71,270 at February 2011) despite a decrease of 2.0 percent from 2010. This industry had 109,800 employees at February 2011, up 1,800 (1.7 percent) from the previous year. At the industry subdivision level, agriculture, forestry, and fishing support services contributed most to this employment increase (up 1,100 or 4.6 percent).

Construction was the third-largest industry, with 49,610 enterprises at February 2011, but also recorded a decrease of 1,040 enterprises (2.0 percent) from February 2010. This industry had 114,000 employees at February 2011, down 1,100 (1.0 percent) from the previous year. The most significant employment decrease (1,000 employees, or 3.9 percent) was noticed for the building construction industry subdivision, which includes residential and non-residential building construction.

Manufacturing had a 1.7 percent decrease of enterprises in the year to February 2011, continuing a downward trend for the last five years. However, it continued to have the largest number of employees (225,300 at February 2011) representing 12 percent of total employees in New Zealand. Even so, this industry recorded a decrease of 3,100 employees (1.3 percent) between February 2010 and 2011. The largest employee decrease came from food product manufacturing (1,000 or 1.3 percent) followed by textile, leather, clothing, and footwear manufacturing (800 or 6.9 percent).

Professional, scientific, and technical services recorded increases in both the number of enterprises and employment at February 2011. There were 49,440 enterprises in this industry, an increase of 770 (1.6 percent), with 122,900 employees, an increase of 2,000 (1.7 percent) compared with February 2010. The most significant contribution to these increases came from the industry class of computer system design and related services, in which enterprises were up 310 (3.5 percent) and the number of employees was up 1,300 (6.7 percent).

Business locations decrease across all regions except Auckland

In all regions of New Zealand except Auckland, the number of business locations (geographic units) decreased between February 2010 and February 2011. The number of employees increased in seven of the 16 regions, with Auckland (up 1.6 percent), Bay of Plenty (up 2.8 percent), and Waikato (up 1.3 percent) recording the largest increases.



Auckland region

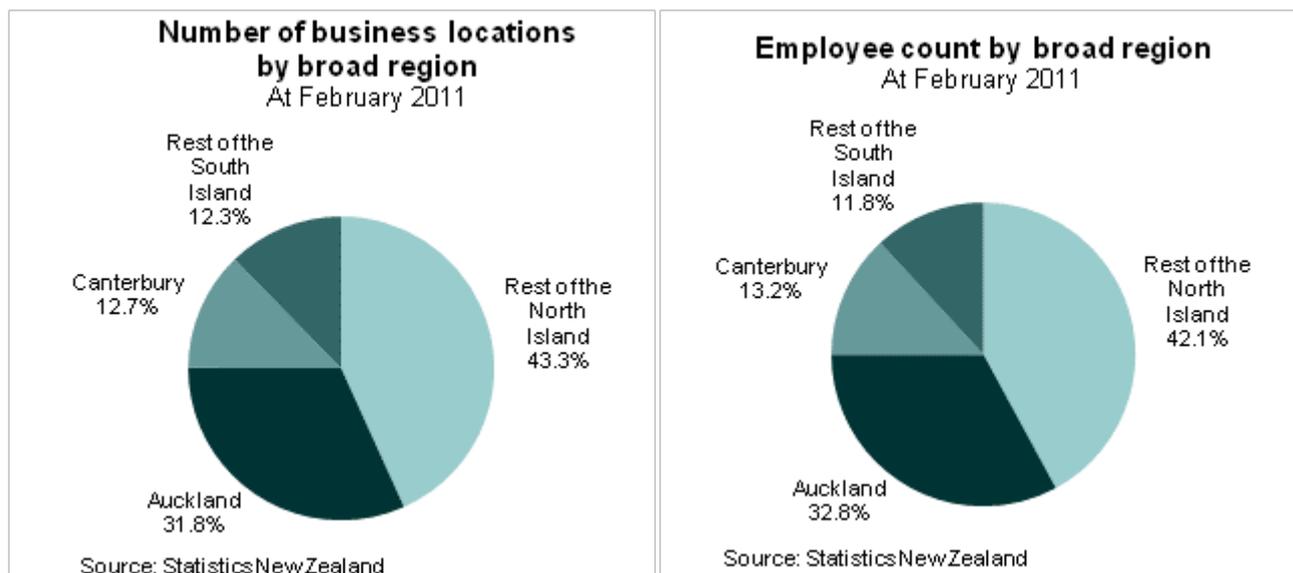
At February 2011, the Auckland region accounted for 32 percent of all business locations in New Zealand and 33 percent of all paid employees.

There were 160,550 business locations in Auckland at February 2011, up 0.5 percent from February 2010. Of the 19 industry divisions (see graph above) 12 recorded increases. Industries that contributed to the increase include professional, scientific, and technical services (up 390 or 1.7 percent), and accommodation and food services (up 250 or 4.4 percent).

At February 2011, business locations in Auckland had 627,100 employees, up 1.6 percent from February 2010. The industries with the largest increases in employee numbers were:

- professional, scientific, and technical services (up 3,200 or 5.3 percent)
- administrative and support services (up 2,900 or 8.7 percent)
- financial and insurance services (up 1,300 or 5.2 percent)
- accommodation and food services (up 1,100 or 3.0 percent).

In Auckland, only five industry divisions out of 19 had lower employee numbers at February 2011 compared with February 2010. The industry with the biggest decrease was manufacturing (down 1,400 or 1.9 percent) followed by retail trade (down 500 or 0.8 percent).



Remainder of North Island

Excluding Auckland, there were 218,530 business locations in the remaining regions of the North Island at February 2011. This represented a decrease of 1.1 percent compared with February 2010. These business locations had approximately 804,800 employees at February 2011, just a 0.1 percent decrease from February 2010.

The regions with the largest decreases in number of business locations were Waikato (down 570 or 1.1 percent) and Northland (down 440 or 2.1 percent). In contrast, the number of employees in the Waikato region increased 2,000 (1.3 percent), with the largest contribution coming from the manufacturing industry (up 600 or 2.9 percent).

South Island

There were 125,920 business locations in the South Island at February 2011. This was a decrease of 1,390 (1.1 percent) from February 2010. These business locations had approximately 477,700 employees, a decrease of 2,300 (0.5 percent) compared with February 2010.

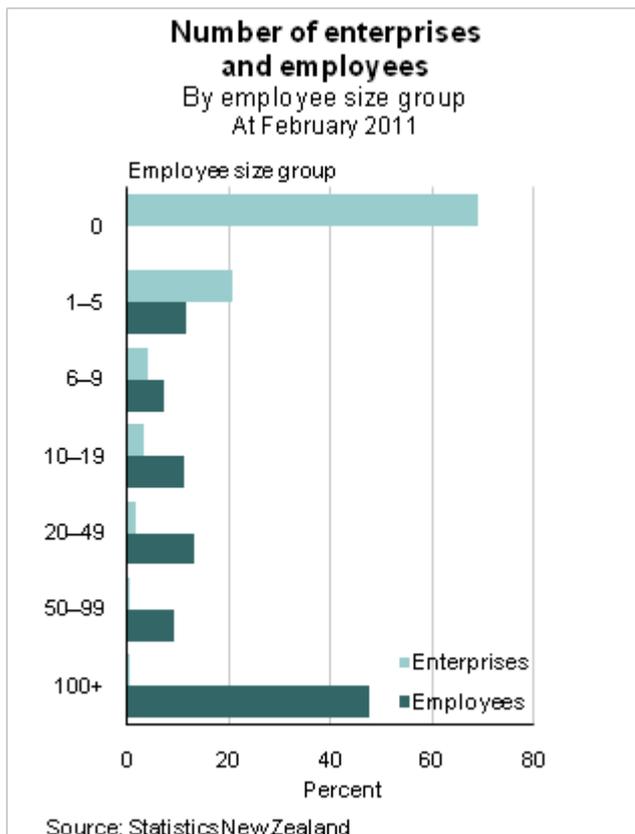
At February 2011, just over half of all business locations (51 percent) in the South Island were located in Canterbury. These business locations accounted for 53 percent of all employees in the South Island. Fourteen of the 19 industry divisions in Canterbury recorded lower numbers of employees compared with February 2010. The number of employees in the accommodation and food services industry was down 1,200 (6.6 percent).

Smaller businesses lose most employees

At February 2011, 69 percent of all enterprises (324,780) were non-employing. Of these, 28 percent were predominantly involved in rental, hiring, and real estate services, 16 percent in agriculture, forestry, and fishing, 11 percent in professional, scientific, and technical services and 10 percent in construction.

At February 2011, 28 percent of enterprises were employing fewer than 20 employees each. Enterprises with 100 or more employees accounted for less than one percent of total enterprises but employed 48 percent of total employees (see graph below).

During the year to February 2011, enterprises with one to five employees recorded the largest percentage decrease of employees (down 1.7 percent), followed by enterprises with six to nine employees (down 1.2 percent). In contrast, enterprises with 100 or more employees recorded a gain of employees (up 1.8 percent).



Enterprise groups have 40 percent of all employees

A grouping of enterprises linked by common ownership is known as an enterprise group. At February 2011, there were 8,020 enterprise groups consisting of 20,340 enterprises. These represented only 4 percent of the total number of enterprises but they employed 40 percent of the total number of employees.

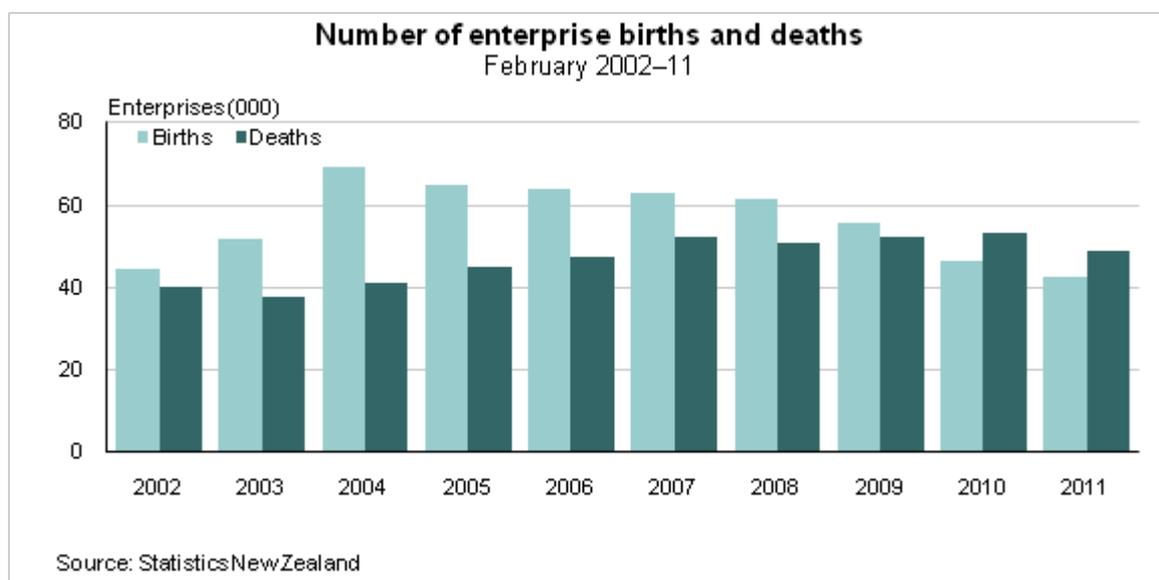
There were 4,830 all-resident enterprise groups (groups composed of enterprises all resident in New Zealand). These consisted of 13,770 enterprises with 300,100 employees. The number of foreign-controlled enterprise groups (multinational groups controlled by a group head with headquarters outside New Zealand) was 2,460. These foreign-controlled enterprise groups had

4,070 enterprises with 273,000 employees. There were 740 domestically controlled enterprise groups (multinational groups controlled by a group head with headquarters in New Zealand). These domestically controlled enterprise groups consisted of 2,500 enterprises with 185,400 employees.

Enterprise deaths exceed enterprise births for second year in a row

In the February 2011 reference period, 42,370 new enterprises started operation (births), which is a decrease of 9.1 percent compared with 2010. These new enterprises accounted for 9 percent of the total number of enterprises at February 2011. This is the lowest birth rate since the beginning of the current series. Over the period 2001 to 2011, the number of enterprise births each year has varied from 42,370 to 69,380. Note that the 2004 figure of 69,380 was influenced by a methodology change and needs to be interpreted with caution (see the [Data quality](#) section for more detail).

In the February 2011 reference period, 48,950 enterprises ceased operation (deaths), which is a decrease of 7.9 percent compared with 2010. The number of enterprise deaths has varied from 37,800 to 53,170 over the period 2001 to 2011, the highest being in 2010. The February 2011 reference period was the second consecutive year since 2001 in which the provisional data showed the number of deaths exceeding the number of births.



The number of births each year can be expressed as a percentage (birth rate) by dividing the number of births by the total population of enterprises. Over the period 2001 to 2011, the annual birth rate of new businesses varied between 9 and 16 percent. Note that the high value in 2004 (16 percent) coincided with a change in methodology (see the [Data quality](#) section for more detail). The annual death rate varied between 10 and 12 percent. The resulting business turnover rate (sum of the birth rate and death rate) ranged from 19 percent to 26 percent.

Enterprise birth rate and death rate vary significantly by industry

For the February 2011 reference period, the number of births for the agriculture, forestry, and fishing industry was 3,190. This reflected an enterprise birth rate of only 4 percent for this industry compared with a birth rate of 9 percent for all industries. On the other hand, the number of births for the professional, scientific, and technical services industry (6,670) corresponded to a higher than average birth rate of 13 percent.

For the February 2011 reference period, the number of deaths for the agriculture, forestry, and fishing industry was 4,500. This reflected an enterprise death rate of only 6 percent for this industry compared with a death rate of 10 percent for all industries. On the other hand, the number of deaths for the professional, scientific, and technical services industry (6,630) corresponded to a higher than average death rate of 13 percent.

Non-employing enterprises have higher than average births and deaths

For the February 2011 reference period, the number of births for non-employing enterprises was 36,900. This reflected a higher than average birth rate of 11 percent. The number of births for employing enterprises (5,430) indicated a much lower birth rate of 4 percent.

For the February 2011 reference period, a similar pattern was observed for the number of deaths by employee size group. The number of deaths for non-employing enterprises was 45,200 representing a higher than average death rate of 14 percent. In contrast, the number of deaths for employing enterprises (3,800) meant a much lower death rate of 3 percent.

83 percent of 2010's enterprise births survived to 2011

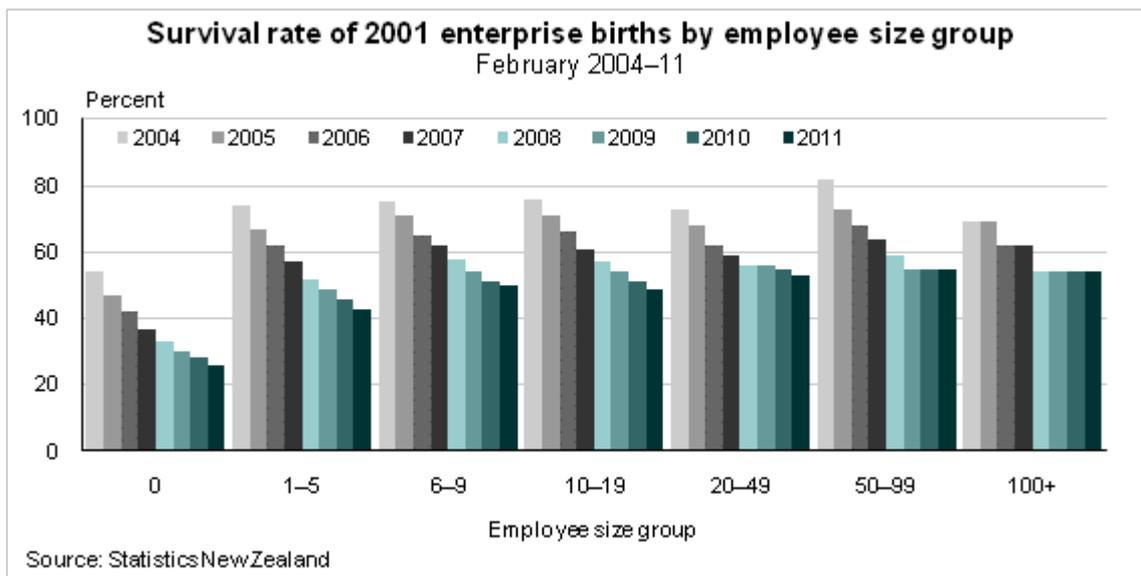
Of the 46,610 births in the February 2010 reference period, 38,880 (83 percent) survived until February 2011. Analysis of births over the periods 2001 to 2010 suggests that around 4 in 5 births survive at least one reference period (a year). See the [Data quality](#) section for more information on survival of enterprise births.

Only 29 percent of 2001's enterprise births survived to 2011

In the February 2001 reference period, there were 43,130 enterprise births. The survival rates of these enterprises were as follows:

- first year – 80 percent
- second year – 67 percent
- third year – 58 percent
- fourth year – 51 percent
- fifth year – 45 percent
- sixth year – 40 percent
- seventh year – 37 percent
- eighth year – 34 percent
- ninth year – 31 percent
- tenth year – 29 percent.

Non-employing enterprises had a significantly lower proportion of births that survived the 10 years to 2011 (26 percent) compared with businesses that had paid employees (43 percent for the one to five employees category, and higher proportions for larger employee size groups).



Industries with relatively higher survival rates over the 10-year period to February 2011 included:

- mining (47 percent)
- health care and social assistance (45 percent)
- agriculture, forestry, and fishing (38 percent)
- education and training (37 percent).

Lower survival rates were observed for the administrative and support services industry (21 percent) and the information media and telecommunications industry (22 percent).

Similar trends are observed for enterprises birthed from 2002 to 2009.

Note: Enterprise and geographic unit counts in this section have been rounded to the nearest 10. Employee counts have been rounded to the nearest 100. For more detailed data, see the Excel tables in the 'Downloads' box.

Definitions

About Business Demography Statistics

Business Demography Statistics provides an annual snapshot (at February) of the structure and characteristics of New Zealand businesses. The series covers economically significant enterprises that are engaged in the production of goods and services in New Zealand.

This is the fifth publication of a new business demography dynamic statistics series, based on the Longitudinal Business Frame (LBF). The first publication, [New Zealand Business Demography Statistics \(Structural\): At February 2007](#) includes more background about the new series.

Definition of terms

ANZSIC: Australian and New Zealand Standard Industrial Classification. A business is normally assigned to an ANZSIC category according to the predominant activity it is engaged in.

Ancillary industry: when a geographic unit predominantly provides services to other geographic units in the same enterprise or group of enterprises, it is assigned an ancillary ANZSIC. This indicates the predominant industrial activity of the units to which the services are provided. For example, an office serving several factory units would have a primary industry reflecting the administration activity, while the ancillary industry would reflect the factory activity. The business demography statistics in this release use the ancillary industry when one exists, and the primary industry otherwise.

Birth: a new enterprise starting operation. A birth is the creation of a combination of production factors, with the restriction that no other national businesses are involved in the event. Births do not include entries into the population due to reactivations, mergers, break-ups, split-offs, or other restructuring of a group of businesses linked by ownership or control. Births also exclude entries into a population resulting from changes to characteristics of existing businesses (this is largely based on, and fully consistent with, the Eurostat definition of enterprise births). To be considered a birth in the business demography population, the enterprise and associated geographic units existed at neither time T-1 year nor time T-2 years. For more information, see [Reference period for births and deaths](#).

Death: an enterprise ceasing operation. A death is the dissolution of a combination of production factors, with the restriction that no other domestic businesses are involved in the event. Deaths do not include exits from the population due to temporary inactivity, mergers, takeovers, break-ups, or other restructuring of a group of businesses linked by ownership or control. Deaths also exclude exits from a population resulting from changes to characteristics of businesses which remain active (this is largely based on, and fully consistent with, the Eurostat definition of enterprise deaths). To be considered a death in the business demography population, the enterprise and associated geographic units exist at neither time T year nor time T+1 year. For more information, see [Reference period for births and deaths](#).

Employee count (EC): head count of salary and wage earners sourced from taxation data. EC data is available on a monthly basis. The EC count used for the derivation of business demography statistics is for the February month.

Employment size groups: employee count (EC) data in this release has been summarised into seven employment size groups:

0 EC
1–5 EC
6–9 EC
10–19 EC
20–49 EC
50–99 EC
100+ EC.

Enterprise: a business operating in New Zealand. It can be a company, partnership, trust, estate, incorporated society, producer board, local or central government organisation, voluntary organisation, or self-employed individual.

Enterprise group: a grouping of enterprises in the Business Frame linked by common ownership. Generally, the Business Frame only records links of over 50 percent shareholding between enterprises. Types of enterprise groups are:

- **All resident enterprise group** – an enterprise group composed only of enterprises that are all resident in New Zealand.
- **Multinational enterprise group** – an enterprise group that contains one or more enterprises resident outside of New Zealand.
- **Foreign controlled enterprise group** – a multinational enterprise group controlled by a group head that has its headquarters outside of New Zealand.
- **Domestically controlled enterprise group** – a multinational enterprise group controlled by a group head that has its headquarters in New Zealand.

Entries: enterprises that are present in the business demography population at the end of the reference period, but were not present at the start of the reference period.

Exits: enterprises that are present in the business demography population at the start of the reference period, but are not present at the end of the reference period.

Geographic unit or business location: a separate operating unit engaged in New Zealand in one, or predominantly one, kind of economic activity from a single physical location or base.

Pure births: births with a recent birth date. That is, the birth dates of all geographic units and the enterprise are more recent than the February snapshot of time T-2 in the business demography population. Pure births generally exclude reactivations (enterprises dormant for a period of time that come back into the population). For more information, see [Reference period for births and deaths](#).

Reactivations: enterprises dormant for a period of time that come back into the business demography population.

Surviving births: births that survive at least one period (until time T+1 reference period) in the business demography population. For more information, see [Reference period for births and deaths](#).

Short-lived births: births that disappear by the time T+1 reference period in the business demography population, either due to death or dormancy. For more information, see [Reference period for births and deaths](#).

Survival rates: survival rates are calculated as the percentage of births in each reference period that survive into future reference periods in the business demography population (surviving births divided by total births for a particular reference period). To be considered a survivor, the birthed enterprise must have existed at every reference period between its birth year and the given reference period.

Related links

Upcoming releases

New Zealand Business Demography Statistics: At February 2012 will be released in October 2012.

The [Release calendar](#) lists all our upcoming information releases by date of release.

Past releases and media releases

See [NZ Business Demography Statistics – information releases](#) for links to past releases.

Related information

[Australian and New Zealand Standard Industrial Classification \(ANZSIC\) 2006](#) provides more details about the industrial classification used in this release.

Data quality

Period-specific information

Information about data that has changed since the last information release.

- [Discontinuation of ANZSIC 1996 version](#)
- [Regional statistics and the new Auckland Council \(Super City\)](#)
- [Statistics on enterprise groups](#)
- [Impact of the 2010/11 Canterbury earthquakes](#)

General information

Information about data that does not generally change between releases.

- [Coverage](#)
- [Business births and deaths](#)
- [International comparability](#)
- [Employee count data](#)
- [Interpreting time series data](#)
- [Data limitations](#)

Period-specific information

This is the fifth publication of a new business demography statistics series based on the Longitudinal Business Frame (LBF). The first publication, [New Zealand Business Demography Statistics \(Structural\): At February 2007](#) includes more background about the new series.

Discontinuation of ANZSIC 1996 version

Business Demography Statistics releases up to February 2010 included both versions of the Australian and New Zealand Standard Industrial Classification – ANZSIC 1996 and ANZSIC 2006. Starting with the current release, only the ANZSIC 2006 version will be used. All references to industry classifications in this release relate to ANZSIC 2006.

Regional statistics and the new Auckland Council (Super City)

Starting from this release, regional business demography statistics will only be published on the basis of the regions, cities, and districts that exist after the creation of the new Auckland Council on 1 November 2010. The corresponding historical time series is a recalculation of the data for previous reference periods. It includes some estimation of the regional classification of geographic units on the southern border of the Auckland Council. These statistics include local authority boundary changes in the Waikato region as well as the Auckland Council changes.

Regional data throughout this release use the 2011 area boundaries.

Statistics on enterprise groups

Included in this publication for the first time are a series of new statistics on enterprise groups. An enterprise group is a family of enterprises linked by common ownership. International developments in business demography statistics include the increasing importance of enterprise groups in domestic economies and across countries, through multinational enterprise groups.

Impact of the 2010/11 Canterbury earthquakes

The annual reference point for Business Demography Statistics is the month of February. The earthquake that caused major damage to businesses in Christchurch occurred on 22 February 2011. While a significant number of businesses in the Canterbury Region – Christchurch City in particular – were affected by the earthquake and remained closed, others were either unaffected or were able to resume business (some from different premises) soon after the earthquake. Also, some businesses continued to employ staff for an extended period of time with the help of the employment subsidy scheme put in place by the government soon after the earthquake. In view of this, the data at February 2011 in this release are not expected to fully capture the impact of the February 2011 earthquake on the business demographics of the Canterbury Region and Christchurch City.

General information

Coverage

Businesses covered

In order to understand what business demography statistics measure, it is important to take into account the coverage of businesses in the published series. The coverage of business demography statistics is limited to economically significant enterprises that are engaged in the production of goods and services in New Zealand. They must meet at least one of the following criteria:

- annual expenses or sales subject to GST of more than \$30,000
- 12-month rolling mean employee count of greater than three
- part of a group of enterprises
- registered for GST and involved in agriculture or forestry
- over \$40,000 of income recorded in the IR10 annual tax return (this includes some units in residential property leasing and rental).

Enterprises recorded on Inland Revenue's client registration file are continually monitored to determine whether they meet the 'economic significance' requirements for inclusion. These enterprises maintained on the Business Frame (source of the Longitudinal Business Frame (LBF)) represent the target population from which Statistics New Zealand's economic surveys are selected.

All non-trading or dormant enterprises, as well as enterprises outside of New Zealand, are excluded from business demography statistics.

How businesses are represented as statistical units

Businesses are represented in the Business Frame (BF) and the business demography statistics as statistical units. Two types of statistical units are used.

- The enterprise unit represents the legal business entity, for example a limited company, a partnership, a trust, an incorporated society. Where there is a group of limited companies linked by share ownership, each individual limited company is recorded in the statistics as a separate enterprise.
- The geographic unit represents a business location engaged in one, or predominantly one, kind of economic activity at a single physical site or base (eg a factory, a farm, a shop, an office). Geographic units are unique to enterprises and an enterprise unit can have from one to many geographic units (business locations). Typically an enterprise unit only has a single geographic unit, unless the enterprise has paid employees permanently working at more than one location. Geographic units can be transferred between enterprises, for example enterprise B purchases a factory (a geographic unit on the BF) as a going concern from enterprise A.

Provisional nature of business demography data

Data on the BF is updated continually to maintain the latest information on businesses. Updates can affect the history of businesses as well. The LBF is constructed monthly from all current and historic BF data, taking into account all updates that have occurred on the BF since the last construction. This means that statistics based on the LBF can change if they are recreated from an updated version of the LBF.

From the 2007 release onwards, business demography statistics are released provisionally to allow for updates to the series to be incorporated. The largest revisions are expected to occur in the most recent reference periods, with smaller changes earlier in the time series. This is mainly due to the lags associated with the processing of administrative data, which are a key component of the BF maintenance strategy.

Business births and deaths

Identification and definition of business births and deaths

To observe business dynamics such as births and deaths over time from administrative data sources, it is crucial to be able to link continuing businesses if their identifiers change in the source data. A business may undergo several changes in its lifetime, in addition to birth and death. For example, legal or administrative entities may close down or emerge due to breakups, mergers, split-offs, takeovers, or restructuring. Any of these events can result in the business obtaining a new unique identifier (an IRD number) in the tax reporting system and subsequently on the BF. A business would then appear as a death and subsequent birth in these systems. However, neither administrative changes nor the events mentioned above necessarily indicate the occurrence of a birth or death of the underlying business activity in the real world.

The methods used to identify business births and deaths and continuing businesses in the business demography dataset are in line with recommendations from the Organisation for Economic Co-operation and Development (OECD) and Eurostat. The theoretical criteria used to define business births and deaths and continuing businesses are based on a combination of factors of production (land, labour, capital). A birth is an assembly of new factors of production. A death is a disassembly of factors of production.

In practice, the information used as proxies for these factors of production to identify continuing businesses are:

- whether a business holds a majority of its original geographic units (business locations)
- if a business keeps the same trading name
- if a business is in the same industry
- if a business continues to operate from the same location
- whether a business continues to employ most of its former employees.

In contrast, indicators for a new business (birth) are whether a business formed new geographic units, has a new trading name, and mostly recruits new employees.

The processes used to identify continuing businesses on the LBF (longitudinal links) are described in the [Business Demographic Statistics Review Report](#).

Reference period for births and deaths

Births and deaths are presented on an annual basis, as at February. For a birth or death to be counted in a reference period, it must have occurred at some stage during the year (start of March to the end of February), and not have a changed status by the February reference point. For example, an enterprise which ceased operation at some stage during the year, and then recommenced operation before February, will not be counted as a death.

According to the recommendations of Eurostat for enterprise births and deaths, a reactivation (an existing enterprise which has been dormant for a period of time and come back into the business demography population) after less than two years of inactivity is not counted as a death and subsequent birth. To identify births at time (T), it is therefore necessary to check movements in the enterprise population over more than one period (a year) – that is, at least back to time T-2 years. Looking back in time further than just one period to determine the status of an enterprise also helps to filter out temporary movements in and out of scope (as determined by the economic significance of an enterprise, which may change from one period to the next). The number of periods we can look back for births, or forward for deaths, is limited by the start and end points of the available data (the LBF holds data from April 1999 to the current month). For enterprise births in 2001, the snapshots of April 1999 and February 2000 were used as reference points. For all other birth and death reference periods, only snapshots for February were used as reference points.

Identification of enterprise births in business demography

Total entries of period T are all enterprises whose identifiers exist at time T but not at time T-1 year. Of these, **real births** are all enterprises whose geographic units existed at neither time T-1 year nor time T-2 years.

- If an enterprise consists of more than one geographic unit, it is only considered a real birth if none of its units existed in the previous two years.
- Entries other than real births are enterprises that experience administrative changes or movements in and out of scope.

Once real births have been identified on the LBF using the methods above, they can be analysed further by splitting real births of period T into:

- **pure births** (birth dates of all geographic units and the enterprise are more recent than the February snapshot of time T-2 years)

- **other births** (birth dates are not recent, and are therefore likely to be reactivations)
- **surviving births** (survive at least one period until time T+1 year)
- **short-lived births** (disappear by time T+1 year, either due to death or dormancy).

Identification of enterprise deaths in business demography

Total exits of period T are all enterprises whose identifiers exist at time T-1 year but not at time T. Of these, **real deaths** are all enterprises whose geographic units exist at neither time T nor time T+1 year.

- If an enterprise consists of more than one geographic unit, it is only considered a death if all of its units disappear in the following two years.
- Exits other than real deaths are enterprises that experience administrative changes or movements in and out of scope.
- If data for time T+1 year are not available, the number of real deaths will be preliminary until it can be revised after the next snapshot is available. A review of the identified real deaths for the 2001–05 period showed that they would have been overestimated by 7 to 8 percent if the next snapshot had not been available. Therefore, deaths for the 2010 reference period should be treated with caution.

Identification of geographic unit births and deaths in business demography

These statistics are available by regional council and territorial local authority. The rules for identifying geographic unit births and deaths mirror those of enterprise units, as described above, except that the enterprise unit to geographic unit linkages are irrelevant. Existing geographic units moving between regions are not considered to be births or deaths.

Survival of enterprise births

The longitudinal nature of the LBF allows enterprise births in any reference period to be tracked over subsequent years. Survival rate statistics can be used to analyse the rate of survival of new births, by both industry and business size. Survival rates are calculated as the percentage of births in each reference period that survive into future reference periods in the business demography population (surviving births divided by total births for a particular reference period). To be considered a survivor, the enterprise must have existed at every reference period between its birth year and the given reference period.

International comparability

The OECD study on international comparability of business start-up rates found that although enterprise birth rates are considered key economic indicators, their availability and definition varies considerably from country to country. Therefore, comparisons of birth or start-up rates between countries should be treated with caution. Eurostat and the OECD are currently working on standard models for business populations and standardised definitions for key indicators. The definitions and methods used in New Zealand business demography statistics align well with the best practice models presented in the OECD study. Further detail is available in the [Business Demographic Statistics Review Report](#).

Employee count data

The employee count data published in the Business Demography Statistics and LEED (Linked Employer-Employee Database) is sourced from the Employer's Monthly Schedule (EMS) tax

form. There are a number of conceptual differences between the business demography employee count size measures and the published LEED employment statistics. Major differences include the following.

- Business demography includes employees of all ages (LEED statistics exclude employees aged under 15 years).
- Business demography counts employees employed at any time during the February month (LEED statistics only count employees employed on the 15th of the reference month).
- Business demography uses the EMS data before all the returns are finalised. At the time of the business demography publication, the EMS data is considered robust enough to provide an accurate indicator for business size.

Business demography does not provide official statistics on employment levels. The employee count data in business demography is primarily used to support business size measure statistics.

- Business demography revisions each year can include updates to the employee count (EC) data for previous years.
- Interpreting time series data and Data limitations in this section apply to the EC statistics as well as to the counts of statistical unit statistics.
- The timing of seasonal business activity (eg horticultural crop harvesting) can influence the time series for some industries and regions.
- The EC statistics include all employees that were paid during the month, irrespective of the number of hours worked or the number of days employed. If an individual had multiple jobs during a month with different employers, all jobs are counted.
- The EC statistics at the geographic unit level for multi geographic unit (many business locations) enterprises are calculated by a process that includes some estimation. Enterprise unit EC data is proportioned out to the constituent geographic units by using survey data and administrative records on employee locations.
- Generally the employee count for a geographic unit is all paid employees working at that business location. However, for industries with employees who do not work at a fixed location, the employees are counted at the geographic unit that represents the base, administrative, or head office of their employer. Examples include the building and construction industry, transport industry, contract labour industry, health care and assistance, gardening, agriculture contracting, cleaning, etc.
- Caution and an understanding of the factors influencing EC statistics are required in interpreting changes over time.

The employee count data does not include working owners unless they are paid a salary or wage by the enterprise that is subject to PAYE. So enterprises in the zero employee count size category may have:

- working owners
- labour which may be provided by other businesses or contractors
- business activity that requires no labour (eg passive investment).

Interpreting time series data

The published time series of business demography data has several significant changes caused by improved Statistics NZ processes. Due to data constraints, no attempt has been made in the series to remove the influence of these changes, but they are described here so that users can understand the time series.

- Agriculture units (ANZSIC 2006 subdivision A01) – for a period of time before 2002 the agricultural units on the BF were maintained to a lower quality level than other units on the BF as there was no agricultural production statistics programme in place. Following the reintroduction of a programme of annual agricultural production statistics in 2002, there were consequential improvements in the BF quality, with business demography data for the agriculture industry considered more robust from 2004. However, feedback on the BF from the agriculture programme cycle can still result in some volatility in the agriculture series. Some of the changes in business demography statistics for agriculture therefore reflect quality improvements in the BF, rather than actual changes.
- The business demography series shows a small drop in the total number of enterprises from 2000 to 2001. This was influenced by a change in June 2000 to the methodology used to add new units to the BF. Under the new methodology, units were only added to the BF after administrative data sources reported that they displayed sufficient activity to meet the BF economic significance conditions. Previously, non-employed units had been added to the frame before they met the economic significance conditions. The change only affected non-employed businesses.
- The business demography series shows a significant increase in the number of enterprises in 2004, particularly in ANZSIC 2006 divisions K (financial and insurance services) and L (rental, hiring, and real estate services). This was largely a consequence of improved use of administrative data to maintain the BF. Most of the enterprises added were non-employed businesses.

Other factors related to the representation of businesses on the BF can also influence time series data.

- Business demography time series statistics can be influenced by structural changes in businesses, such as business mergers, one business taking over another business, or a business selling part of its activities. This can cause a significant movement in an industry (ANZSIC) time series of employee count data. For example, in a business takeover where one enterprise is absorbed into another enterprise, the employees of the smaller enterprise will typically become classified to the ANZSIC of the larger enterprise.
- Regional business demography time series statistics can be influenced by changes in how an enterprise with many business locations is represented on the BF as geographic unit(s). For example a move to a less granular or more detailed geographic unit structure on the BF, due to changes in a way a business reports regional information, can influence regional time series.
- Many enterprises undertake a range of business activities simultaneously. For example, they manufacture and wholesale goods and their activities can be over a range of commodities that cross ANZSIC boundaries. Enterprises are classified to ANZSIC on the BF according to its predominant activity. Movements in time series of ANZSIC data can be caused by the predominant activity of enterprises changing. This can cause what appears to be a significant change in an industry time series. These changes need to be interpreted with caution, because the business activity may be largely continuing under a different predominant industry classification.

Data limitations

There are a number of limitations associated with business demography data. These limitations include the following.

- Non-coverage of 'small' enterprises that fall below the economic significance criteria.
- Partial coverage of enterprises in the gap between the BF economic significance condition of \$30,000 of sales subject to GST and the compulsory GST registration

threshold of \$60,000 (applied from 1 April 2009). The level of this partial coverage cannot be quantified, but some businesses do register for GST when their activity is below the compulsory GST registration threshold.

- The residential property operators industry (ANZSIC 2006 class L6711) contains only partial coverage, so must be analysed with caution.
- Lags in recording enterprise births and deaths.
- The published time series is subject to revision each year as the latest data from the LBF is incorporated for relevant years. Revisions of any significance will typically be confined to the last end points of the series.
- The business demography statistics on the number of business births and deaths and surviving businesses rely on a variety of data sources to identify a continuing business (which for example undergoes a change of legal ownership and restructuring) as well as genuine business start-ups and closures. These data sources are not comprehensive and are of lower quality for small non-employing businesses. When businesses register for GST and are added (or 'birthed') onto the BF, they are given a new reference number. Company restructuring or changes of ownership can result in a new GST registration being filed, even though it relates to an existing business. Both the BF and the LBF have procedures in place to identify links between new and existing businesses, but there is no guarantee that all links will be identified. There will also be some false positive links identified. So some caution is required in the interpretation and use of these statistics.
- Non-availability of overseas ownership information for some of the units on the BF.
- Information on enterprise ownership links (needed for identifying BF enterprise groups) being limited to administrative data sources with only large businesses being covered by direct surveys.
- Difficulties in maintaining industrial and geographic classifications for medium and smaller enterprises (that are primarily maintained on the BF using administrative data).
- Fine-level regional and industry business demography data needs to be used with caution. The BF, which is the main source of data for the business demography series, is designed to support quality national level and aggregate industry level statistics. It is not designed to provide quality fine-level regional or industry statistics. Particularly for small and medium-sized enterprises, the BF update sources can have timing lags and less robust information. These quality weaknesses can be highlighted in fine-level business demography statistics.
- Some caution is required with the use of back-cast ANZSIC 2006 statistics as some of the classification data has been imputed (estimated).

Rounding

Enterprise and geographic unit counts in the tables in this release are unrounded. Employee count data has been randomly rounded. This may result in a total differing slightly from the sum of its components. Derived figures (eg percentage changes) have been calculated using unrounded data.

Liability

While all care and diligence has been used in processing, analysing, and extracting data and information in this publication, Statistics NZ gives no warranty it is error-free and will not be liable for any loss or damage suffered by the use directly, or indirectly, of the information in this publication.

Timing

Timed statistical releases are delivered using postal and electronic services provided by third parties. Delivery of these releases may be delayed by circumstances outside the control of Statistics NZ. Statistics NZ accepts no responsibility for any such delays.

Crown copyright©



This work is licensed under the [Creative Commons Attribution 3.0 New Zealand](#) licence. You are free to copy, distribute, and adapt the work, as long as you attribute the work to Statistics NZ and abide by the other licence terms. Please note you may not use any departmental or governmental emblem, logo, or coat of arms in any way that infringes any provision of the [Flags, Emblems, and Names Protection Act 1981](#). Use the wording 'Statistics New Zealand' in your attribution, not the Statistics NZ logo.

Contacts

For media enquiries contact:

Hamish Hill

Wellington 04 931 4600

Email: info@stats.govt.nz

For technical information contact:

Stuart Pitts or Upul Paranawithana

Auckland 09 920 9100

Email: info@stats.govt.nz

For general enquiries contact our Information Centre:

Phone: 0508 525 525 (toll free in New Zealand)

+64 4 931 4600 (outside of New Zealand)

Email: info@stats.govt.nz

Tables

The following tables are included with this release. They are available in Excel format from the 'Downloads' box of *New Zealand Business Demography Statistics: At February 2011* on the Statistics NZ website.

If you do not have access to Excel, you may use the [Excel file viewer](#) to view, print, and export the contents of the file.

1. Enterprises, geographic units, and employee count, by ANZSIC06 division, at February 2011
2. Geographic units and employee count, by region, at February 2003–11
3. Business demography population, births, and deaths, at February, 2001–11
4. Breakdown of births, at February, 2001–11
5. Births by industry (ANZSIC06), at February, 2001–11
6. Deaths by industry (ANZSIC06), at February, 2001–11
7. Births by employee count size group, at February, 2001–11
8. Deaths by employee count size group, at February, 2001–11
9. Employee count of births and deaths, by employee count size group, at February, 2001–11
10. Average employee count of births and deaths, at February, 2001–11
11. Survival rate of births by industry (ANZSIC06), at February, births in 2001–09
12. Survival rate of births by employee count size group, at February, births in 2001–09
13. Enterprises by enterprise group membership, at February 2011
14. Enterprises by type of enterprise group, at February 2011
15. Enterprises by ANZSIC06 division and type of enterprise group, at February 2011
16. Enterprises by type of enterprise group and employee count size group, at February 2011

Access more data on Table Builder

Use [Table Builder](#), a free, online tool that enables you to extract the information you want. Business demography statistics include a range of statistics for enterprises and geographic units (business locations). Regional data is available only for geographic units. To access the release on Table Builder, select the following tables from the homepage.

Subject category: **Business Statistics**

Table title: **Table Builder business demography tables**