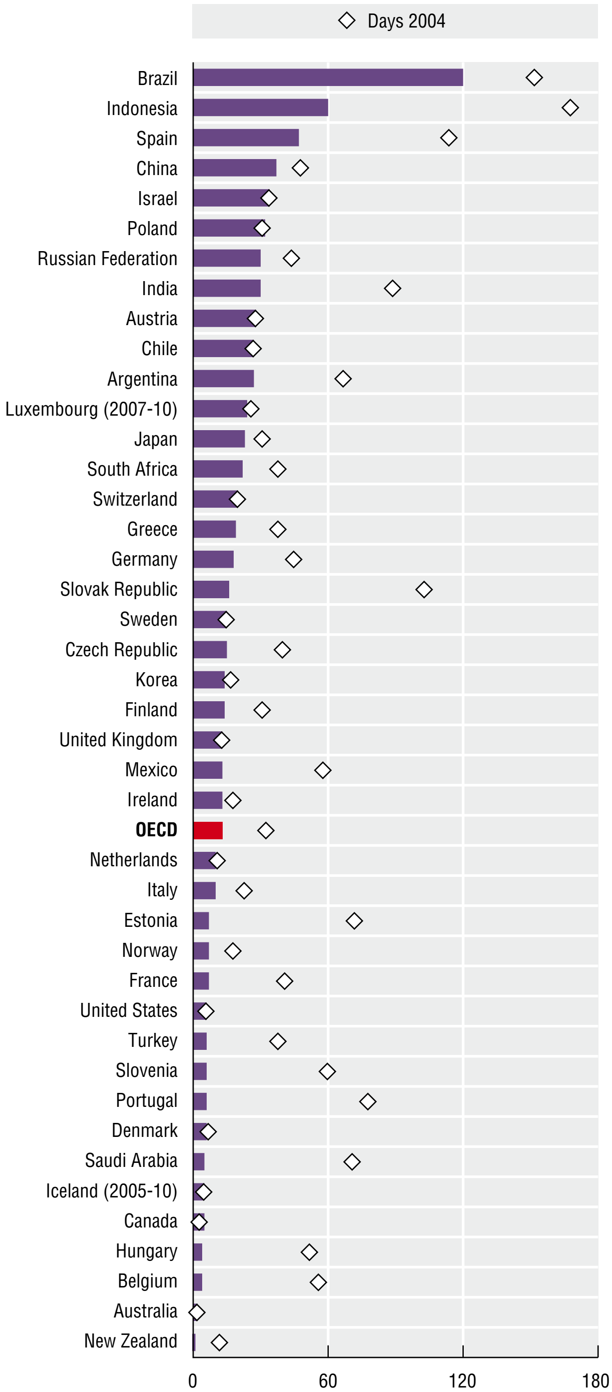
While entry and growth of new firms is important, so is their adaptability to changes in the economy and their ability to exit when necessary. New enterprises drive a large number of obsolete firms out of the market and often do not survive very long themselves. A policy environment that fosters the start-up and growth of new firms is essential for innovation to flourish.

Days needed to start a business, 2010



Source: International Bank for Reconstruction and Development/ World Bank (2009), *Doing Business 2010*, United States.

StatLink http://dx.doi.org/10.1787/835713671578

DID YOU KNOW?

Since 2004, 254 reforms have made start-ups easier in 134 economies. Yet on average worldwide, it still takes 8 procedures and 36 days to start a business.

(*Doing Business*, 2010.)

Cutting red tape to improve the quality of regulations is important for facilitating business creation. The decrease in the number of days needed to open a business shows significant progress in this direction.

A high-quality regulatory framework is important to allow businesses to enter the market and grow. In this respect, most OECD countries have lowered barriers to entrepreneurship during the last decade.

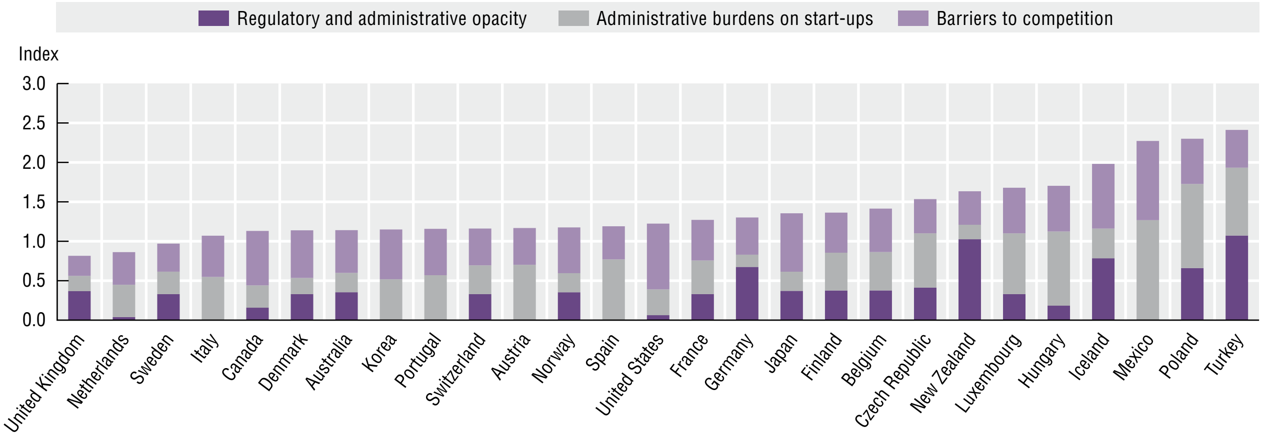
In addition, individuals' decisions to start a business are affected by taxes and tax policy: general taxes (personal income, corporate and capital gain tax rates, social security contributions) and targeted tax policies (tax incentives targeted to start-ups, young firms and SMEs). OECD analysis finds that reducing top marginal personal income tax rates raises productivity in industries with potentially high rates of enterprise creation.

Definitions

The *barriers to entrepreneurship* indicator measures regulations affecting entrepreneurship on a scale of zero to six; lower values suggest lower barriers. The index is composed of barriers to competition (legal barriers, antitrust exemptions, barriers in network sectors and in retail and professional services); regulatory and administrative opacity (licences, permits, simplicity of procedures); and administrative burdens for creating new firms. The *marginal tax rate* covers employees' and employers' social security contributions and personal income tax. The *corporate income tax rate* is the statutory tax rate applicable to incorporated businesses. It combines the central and sub-central (statutory) corporate income tax rate. *Days needed to start a business* is the median duration indicated by incorporation lawyers as necessary to complete the procedures.

Barriers to entrepreneurship, 2008

Scale from 0 to 6 from least to most restrictive

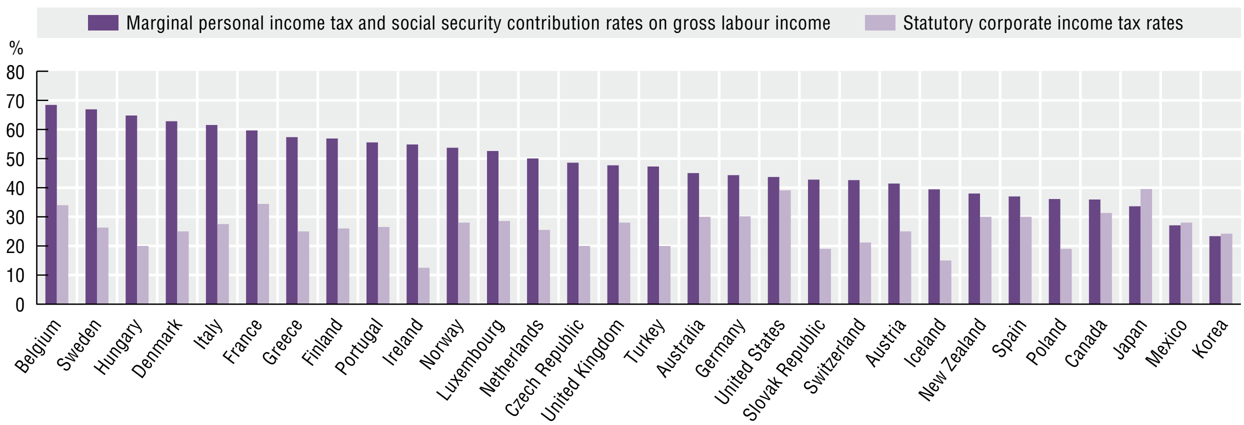


Source: OECD, Product Market Regulation Database, December 2009.

StatLink http://dx.doi.org/10.1787/835713671578

Taxation on personal income and corporate income, 2009

Marginal personal income tax and social security contribution rates on gross labour income and statutory corporate income tax rates



Source: OECD (2010), *Taxing Wages 2008-2009: 2009 Edition*, OECD, Paris. See chapter notes.

StatLink http://dx.doi.org/10.1787/835713671578

Measurability

Product market regulations (PMR) indicators are quantitative indicators derived from qualitative information on laws and regulations that may affect competition. The qualitative information mainly comes from answers to a questionnaire by national administrations, the results of which are subject to peer review, which guarantees a high level of comparability across countries. Higher-level (composite) indicators, such as the barrier to entrepreneurship indicator, are calculated as weighted averages of their lower-level indicators using equal weights for aggregation. See OECD (2009b), *Economic Policy Reforms: Going for Growth 2009*, Chapter 7 and Annex 7.A1.

Personal income taxes and the differential between the treatment of self-employment income and wage income affect individuals' decision to start a business. Corporate taxes determine the after-tax returns on investment and therefore drive firms' investment decisions and potential entrepreneurs' decision on whether to start investing. Personal income tax rates on gross wage income are calculated using the OECD Taxing Wages framework, which allows for broad international comparability across countries. However, the difficulty of calculating comparable tax rates remains a significant burden for cross-country studies on the impact of taxation on entrepreneurship.