THE DEMOGRAPHY OF FIRMS IN THE NETHERLANDS INTRODUCTION TO THE 2003 MAPS

PIET H. PELLENBARG* & PAUL J.M. VAN STEEN**

Faculty of Spatial Sciences, University of Groningen, P.O. Box 800, 9700 AV Groningen, The Netherlands
Emails: * p.h.pellenbarg@rug.nl **p.j.m.van.steen@rug.nl

Knowledge of the basics of demography is rather widespread. To be able to understand the growth or decline of a population and to predict its future development, one has to look at birth and death rates, and migration. For a deeper understanding, one also needs information about ages and rates of marriage, and the nature and duration of migrations. The same principles hold when the analysis of populations of firms is concerned instead of populations of people. A thorough explanation of regional economic growth or decline requires the availability and analysis of data on the components of regional economic change, i.e. entry and exit of firms, firm migration, and growth and decline of existing firms. Deeper understanding is possible by looking at mergers and acquisitions and by differentiating between short and long distance relocations of firms. Like in population demography, such analysis concerns both the understanding of actual situations and the possible prediction of future developments. Depending on the dominance of any of its components, regional economic development may have very different underlying causes and accordingly, regional economic problems may ask for very different remedies.

David Birch deserves the credit for focusing international attention on the firm demographic viewpoint with his well-known study of the "job generating process" (Birch 1979). In this study, he unraveled the components of economic change in the USA during the nineteen seventies and found out that quite contrary to the common view at that time, middle sized and big firms contributed relatively little to the overall growth of employment. Two thirds of all new jobs generated in the USA were created by small firms (with less than 20 employees). This (then) surprising result aroused a fast growing and worldwide research interest for young and small firms, and for the firm demographic method of analysis. In the Netherlands Wever was the first to apply this method to data on firm startups, migrations and closures provided by the Dutch Chambers of Commerce (Wever 1984). Comparable studies emerged in many other countries and the demography of firms approach is now a rather well established field of study for economic geographers and regional economists (Van Dijk and Pellenbarg 1999). It has developed into a research paradigm that proved to be related to the organisation ecology and industrial organisation schools of thought and in fact also to the evolutionary approach of spatial-economic development (Nelson and Winter 1982, Hannan and Freeman 1989, Boschma et al. 2002).

The demography of firms in the Netherlands is this year's theme for "The Netherlands in Maps". The basic data for the maps will be taken from the 'Mutation balance' registration

system that is operated since 1985 by the Dutch Chambers of Commerce (CoC). Alternative data sources such as the Central Bureau of Statistics (CBS) and the LISA firm registration system are available, but they lack the possibilities of showing the separate contributions to regional economic change by firm migrations and growth or decline in existing firms. A consequence of using the CoC system is that firms are identified as legal units instead of physical establishments in space, as in the CBS system. The legal unit criterion explains the big total number of firms that is counted by the Chambers of Commerce in the Netherlands: 923,500 in 2001. The CBS counts a total of only 594,300 firms (like the CoC: excluding agriculture, fishery, and public services). As table 1 shows there is a lot of dynamism behind the totals. Each year 10-11% of all firms in the CoC files are new entries, while 5-6% disappear. Partly, the entries of one year are the exits of the next. On average, 25% of the newly started firms have been closed two years later. After five years, half of them are gone. The survivors become growers and as a result of this: movers. Of all firms registered by the CoC approximately 8% relocate to a new address each year (Pellenbarg et al. 2002). This figure is less sure however, because since 1995 it is not officially published any more by the Chambers of Commerce, who find it very hard to produce reliable figures on firm migration. Still firm migration is one of the most interesting components of change, especially the long distance moves between regions, as it constitutes the most direct form of change of the spatial-economic pattern. As we will see however, substantial regional variations catch the eye for the other mutation categories as well.

Table 1. Firm dynamics 2001

Startups*	58.900	*firms started by persons not yet active as entrepreneurs
Other new firms**	35.200	**new branches and subsidiaries of existing firms
Total new firms	94.100	
Closures	54.900	
Gross growth	39.200	
Admin. Corrections	-10.700	
Net growth	28.500	
Total number 31-12	923.500	

Source: VVK 2002

The firm demographic map series is started in this volume's number 1 of TESG with a map representing the spatial pattern of new firms in 2001. Successive maps will picture (industrial) firm migration and the spatial pattern of firm closures. These maps share the same database, i.e. the most recent figures of the CoC Mutation Balance. Each year the Chambers of Commerce also produces an extensive survey of the developments in turnover, profits and employment among the firms enlisted in its registration system. This enables the construction of a fourth map representing the 'growth and decline' component of change. Finally a fifth map will be presented that shows the locations of the long-term survivors: firms that are still active but started more than a century ago. In a concluding article in TESG 94/5 we will comment on all maps and formulate conclusions about the demography of firms in the Netherlands, and its spatial appearance.

REFERENCES

Birch, D.L. (1979) *The job generation process*. Cambridge, Mass.: Cambridge University Press

Boschma, R.A., K. Frenken and J.G. Lambooy (2002) *Evolutionaire economie. Een inleiding*. Bussum: Coutinho

Hannan, M.T. and J. Freeman (1989) *Organizational ecology*. Cambridge Mass.: Harvard University Press

Nelson, R.R. and R.G. Winter (1982) *An evolutionary theory of economic change*. Cambridge Mass.: Harvard University Press

Pellenbarg, P.H., J. van Dijk and L.J.G. Van Wissen (2002) Firm migration. In: Ph. McCann (ed) *Industrial Location Economics*. Cheltenham UK: Edward Elgar, p. 110-148

Van Dijk, J. and P.H. Pellenbarg (eds) (1999) *Demography of firms. Spatial dynamics of firm behaviour*. Netherlands Geographical Studies 262. Utrecht/Groningen: Koninklijk Nederlands Aardrijkskundig Genootschap/Faculteit der Ruimtelijke Wetenschappen Rijksuniversiteit Groningen

VVK (2002) *Bedrijvendynamiek 2002*. Woerden: Vereniging van Kamers van Koophandel

Wever, E, (1984) *Nieuwe bedrijven in Nederland*. Assen: Van Gorcum

Dit artikel is gepubliceerd als:

PELLENBARG, P.H. and P..M. VAN STEEN (2003) **The demography of firms in the Netherlands. Introduction to the 2003 maps.** TESG (Journal of Economic and Social Geography) 94/1, pp. 146-147