

The Impact of New Firm Formation on Regional Development in the Netherlands

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Abstract

This paper examines the relationship between new firm formation and regional employment change in the Netherlands. Using a new regional data base for the period 1988-2002, we examine the time lags involved in the relationship. We also investigate whether the relationship differs by sector and by degree of urbanization. We find that the maximum effect of new businesses on regional development is reached after about six years. Our results also suggest that the overall employment impact of new-firm start-ups is positive but that the immediate employment effects may be small in the Netherlands. Furthermore, we find that the employment impact of new firms is strongest in manufacturing industries and that the employment impact of new firms is stronger in areas with a higher degree of urbanization.

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