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## Methodological note:

# New statistics on High Growth Enterprises

High Growth Enterprises statistics are part of the annual Business Demography statistics. The current annual data production of Business Demography statistics looks at the development of enterprises, i.e. births and deaths of enterprises and their survival rates, in order to assess the evolution of the enterprise sector within EU economies. In addition to specific outputs on High Growth Enterprises, Business Demography data is also published separately for employer Business Demography as well as regional Business Demography on an annual basis.

The experimental statistics product on “High Growth Enterprises” (HGE) is a result of a two - year development project that involved 13 countries. The two main outputs published under the experimental statistics umbrella refer to the work done within work package 1 of the project on micro High Growth Enterprises and within work package 2 on statistics on the post-high growth period.

### 1. MICRO HIGH GROWTH ENTERPRISES (HGES)

The key objective of the first work package of the project was to develop and test a feasible methodology that could be used to assess the importance of **micro** High Growth Enterprises i.e. the ones that employ less than 10 persons when they start growing. After testing and choosing the most feasible approach, the second objective was for Eurostat to gather the agreed data tables from all participating countries.

For this purpose, two different approaches were tested and the participating countries provided two sets of tables. These results were extensively discussed at the task force meeting, organized by Eurostat in October 2019. On this basis, Eurostat compiled the contents for final data tables and guidelines briefly introducing the applied methodology and some key issues related to the agreed output tables.

The so called “Dutch approach” (i.e. proposed by the Statistical Office of the Netherlands) was chosen to be used in this pilot and it was widely supported by participating countries. This methodology was recognized to be simple, robust, feasible and pragmatic. In addition, the compatibility with Eurostat’s current Business Demography approach for enterprises with 10 + employees is a clear advantage. It should be emphasized that after assessing the testing results – largely due to consistency issues across countries - we agreed to limit our scope only to size class 1-9 employees in the year of beginning of growth and consequently omit the 0-employee size class.

The methodology applied requires that the **minimum growth** in absolute numbers for a **micro High Growth Enterprise** is **3.31 employees in 3 years**. This threshold is drawn from the current HGE methodology, where an enterprise with exactly 10 employees at the beginning of the

period of growth and having average annualised growth of 10% in the number of employees over a three year period, would have **13.31** employees at the end of the three years.

In this pilot, the same absolute growth (3.31 employees) was applied to enterprises **with 1 to 9 employees at the starting year of the growth**. As a result, the population of micro High Growth Enterprises need to have a growth of at least 3.31 employees in three years.

The applied methodology follows the principles of the [OECD – Eurostat manual on Business Demography statistics](#), in particular the relevant parts dealing with High Growth Enterprises.

## 2. FOLLOW-UP AFTER THE HIGH GROWTH PERIOD

The key objective of the second work package of the project was to develop a methodology to assess how the High Growth Enterprises continue to grow after the High Growth period. For that purpose we have compiled a set of tables for two growth populations (2009–12 and 2012–15) looking at the developments *after* the growth period and following those enterprises until 2018 with the most recent data.

It was agreed within the project that – as in line with traditional High Growth statistics- a three year period after the High Growth period would be the most suitable to investigate. Therefore, the project looks at three and six years ahead for the *population 2009-2012* and three years ahead for the *population 2012-2015*.

The methodological guidelines provide basic information for data tables of this work package. Due to the COVID-19 crisis, it was not possible to have the planned task force meeting in June 2020 to discuss and decide on the tables for this work package. Instead, Eurostat provided a draft set of tables, which was widely agreed as a basis for the final tables.

The target population and data tables were divided into three parts. The first tables look three years ahead after the growth period for High Growth Populations of 2012 (i.e. the ones that had High Growth within the years 2009-2012) and 2015 (i.e. the ones that had High Growth within the years 2012-2015). For these enterprises, we look at the three year period until 2015 and 2018 respectively. The contents indicate how many survived up until 2015 and 2018 and which kind of growth these enterprises recorded.

The rest of the tables look at the HGE population of 2012 (i.e. the ones that had High Growth within the years 2009-2012). For these enterprises, we look at the six year period until 2018: how many survived until 2018 and which kind of growth these enterprises recorded.

## 3. BREAKDOWNS USED IN THE PROJECT

The tables of both work packages include several key variables / breakdowns that can be further analysed. These breakdowns are, for example, NACE class, employment size class, legal form, age of enterprise, group status and type of growth.

### Employment size classes used:

- 02 = 1-4 employees
- 03 = 5-9 employees

Employee size classes are determined at the beginning of the growth period as the annual average.

**Legal form:**

- SP - Sole proprietorship
- LL - Limited liability company
- PA - Partnership and other legal forms

The legal form is defined in the reference year.

**NACE total (B to N and S95) currently used for High Growth Enterprises in table 3:**

TOTAL (B to N and S95) Current total used for HGEs

- Manufacturing (Section C)
- Construction (Section F)
- Wholesale and retail trade (Section G)
- Accommodation and food services (Section I)
- Information and communication (Section J)
- Professional, scientific and techn. Act. (Section M)
- Administrative and support services (Section N)
- Other activities (B to N and S95, excluding C, F, G, I, J, M and N)

As in HGE the NACE of growing enterprises is defined in the reference year.

**Age of enterprise (in the reference year):**

- 5 years old or less
- more than 5 years to 10 years
- 10 years or older

The enterprise age is defined based on Business Demography population.

**Group status:**

- Independent
- Belongs to a group

**Organic vs 'gross growth':**

- Organic growth
- 'gross growth' including organic growth as well as mergers and takeovers etc.

## 4. VARIABLES

The project included the following variables: number of enterprises, employees, persons employed, turnover and finally gross value added. These variables are covered in the tables. It should be noted that the structural business statistics variable - gross value added - is included because the project from the outset had also a Micro Data Linking dimension.