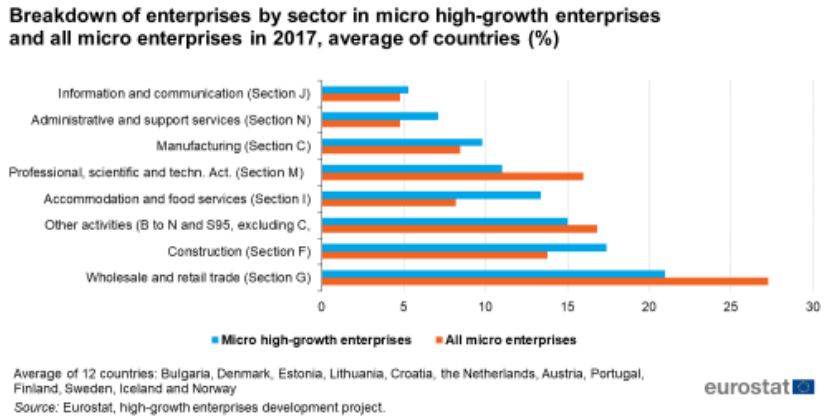
Micro high-growth enterprises broken down by sector

Statistics Explained

experimental

Data extracted in March 2021
No update planned for this article



Breakdown of enterprises by sector in micro high-growth enterprises and all micro enterprises in 2017, average of countries Source: Eurostat, high-growth enterprises development project.

Economic growth and job creation have been key issues on the European political agenda for years. At enterprise level, high-growth enterprises (HGEs) have a prominent and proven role in employment creation and economic growth in European countries. The regular collection of data on HGEs currently covers enterprises recording average annualised employment growth of 10 % or more over a three-year period. In addition, the enterprises have at least 10 employees when they start growing. For many years now, high-growth enterprises have been an established and regulated part of the Business Demography data collection. However, the current definition for high-growth enterprises excludes all enterprises having 1 to 9 employees in the beginning of the growth period (i.e. 3 years before the reference year); therefore these enterprises do not belong to the current Business Demography data collection on HGEs. This means that for the majority of European enterprises, there is no monitoring of their growth performance and job creation. In 2017, 93 % of all enterprises in the EU had 0 to 9 persons employed and accounted for about 20 % of the total value added and 18 % of the total turnover.

Furthermore, most newly born enterprises are micro enterprises employing less than 10 persons and therefore the statistics on high-growth enterprises currently do not capture this. These new enterprises also often come about because they introduce innovative products or processes and are therefore important to monitor in order to capture the dynamics of the economy.

This article is based on the experimental statistical results of a recent pilot action assessing the role of micro high-growth enterprises in economic growth and job creation and their contribution to them. A total of

10 EU Member States (Bulgaria, Denmark, Estonia, Lithuania, Croatia, the Netherlands, Austria, Portugal, Finland and Sweden) and 2 EFTA countries (Iceland and Norway) participated in the development project on micro high-growth enterprises. It is the first time this kind of data on micro high-growth enterprises has been collected as part of an EU project. Due to the pilot nature of this project and the limited number and size of participating countries, the coverage of the EU economy that could be obtained was far from adequate. Therefore the results should interpreted with caution.

The methodology for assessing micro high-growth enterprises was developed and tested as part of the pilot action. The approach adopted is largely in line with the methodology currently used for identifying and measuring HGEs with 10 or more employees.

This article presents the first results of the pilot action on micro high-growth enterprises and focuses on activity (NACE) breakdowns. For this purpose, data on 8 key NACE sections is used to analyse the situation in participating countries. With the activity approach, it is easier to compare the results with the regular data collection on high-growth enterprises with 10 or more employees in the year prior to the growth period observed. More specifically, this article looks at:

- The overall significance of different activities in relation to the emergence of micro high-growth enterprises.
- The relative importance of micro HGEs across different activities.
- Furthermore, the micro HGEs are benchmarked in relation to the regular high-growth enterprises which have 10 or more employees.
- Finally, micro HGEs in key sectors such as manufacturing and trade are compared across the participating countries.

Proportion of micro high-growth enterprises in different activities

This chapter analyses the breakdown of micro high-growth enterprises by the main economic sectors and compares it to the breakdown of all micro enterprises . This comparison aims to show the sectoral differences in the breakdowns of micro HGEs and all micro enterprises.

The breakdowns by the number of enterprises are presented in Figure 1. The highest number of micro enterprises as well as micro high-growth enterprises are recorded for the trade sector, which includes both wholesale and retail trade. A little over a fifth of all micro HGEs are operating in the trade sector, while a clearly larger proportion of all micro enterprises - close to 30 % - operated in the trade sector.

Other activities, construction as well as accommodation and food services are also important sectors for micro HGEs, which in each sector account for around 15 % of all micro HGEs. However, employment figures may overestimate the contribution of these micro HGEs to employment if the sector includes a high proportion of part-time employees and if head count is used to measure the number of employees. This also means that it is easier to obtain the required increase in employment if the purpose is to be recorded as a high-growth enterprise. Part-time work is typical for accommodation and food services as well as in the trade sector. The share of enterprises that are micro HGEs in professional, scientific and technical services and in manufacturing is in both cases 10 %, while about 5 % of the enterprises in the information and communication sector are all micro enterprises and about 5 % are micro HGEs.

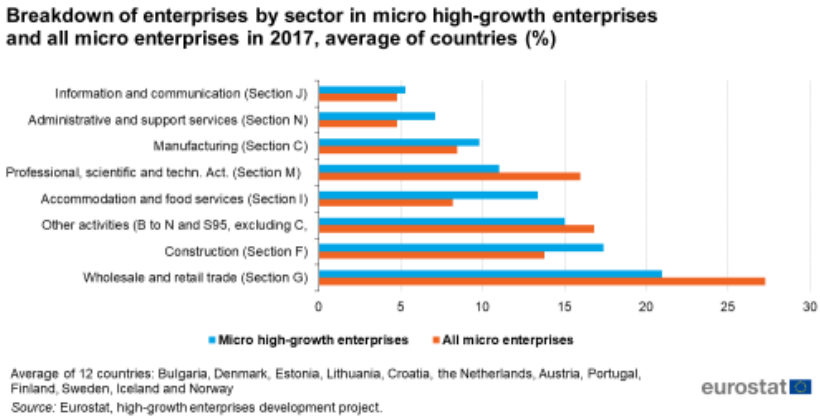


Figure 1: Breakdown of enterprises by sector in micro high-growth enterprises and all micro enterprises in 2017, average of countries Source: Eurostat, high-growth enterprises development project.

When looking at Figure 2 on employee breakdown by activity, the ranking of activities looks much the same as with enterprises in Figure 1. In terms of employment, micro HGEs play a pronounced role in other activities, construction (section F) and accommodation and food services (section I) as well as in administrative and support services (section N). Of the total number of the employees in micro HGEs, 20 % work in the trade sector, but of the total number of employees in micro enterprises, almost 30 % work in the trade sector.

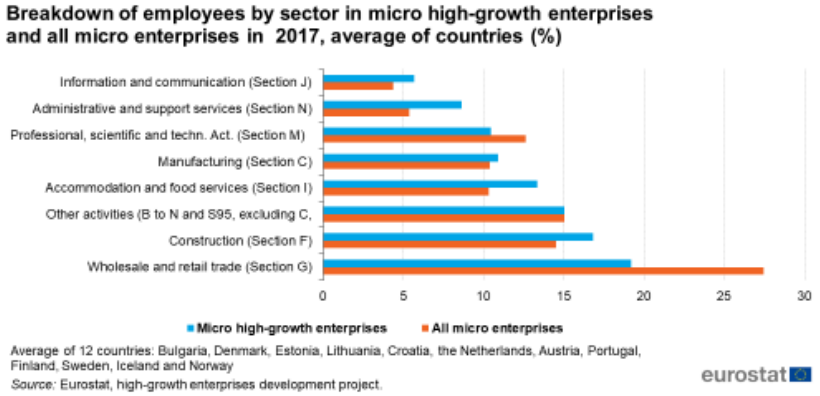


Figure 2: Breakdown of employees by sector in micro high-growth enterprises and all micro enterprises in 2017, average of countries Source: Eurostat, high-growth enterprises development project.

High-growth appears in fact to be common in some traditional sectors of the economy. In relative terms, micro HGEs were clearly the most frequent in accommodation and food services where some 12 % of micro enterprises were classified as high-growth (see Figure 3). High-growth enterprises were also significantly frequent – but somewhat below 10 % - in administrative and support services and construction.

Even though micro HGEs typically accounted for less than 10 % of all micro enterprises, their contribution in economic terms, i.e. employment or value added, was much higher, typically around 20–30 % of the total of all micro enterprises in the sectors analysed. Micro HGEs in administrative services, accommodation and food services and information and communication accounted for a quarter or more of the employees in micro enterprises in these sectors.

Typically, employment and value added shares follow each other closely, except for administrative services and other activities, where the value added share of micro HGEs appears considerably lower than that of employees - implying lower value added creation per employee compared to other activities.

The results of Figure 3 emphasize that in terms of employees and value added, micro HGEs play a central role across several economic sectors. When analysing turnover separately, the same conclusion also applies. However, micro HGEs played the smallest role in trade and in professional, scientific and technical activities, accounting for roughly 15 % of employment and value added. Focusing on the sectors where micro HGEs had the highest relative importance provides a good background and understanding of the most dynamic sectors of the European economies.

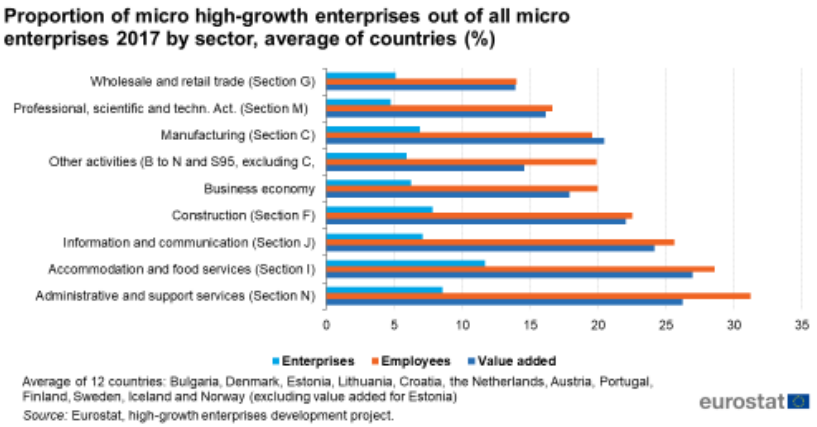


Figure 3: Proportion of micro high-growth enterprises out of all micro enterprises 2017 by sector, average of countries Source: Eurostat, high-growth enterprises development project.

Micro HGEs compared to traditional HGEs

In Figures 4, 5 and 6 below, the importance of micro HGEs is compared with traditional high-growth enterprises which have 10 or more employees when they start growing.

Figure 4 shows by country the number of enterprises that are micro HGEs compared to traditional HGEs. Typically, the number of micro HGEs in the business economy is up to two times higher compared to the number of enterprises when using the traditional approach. In some countries, such as Bulgaria and Estonia, this difference is even higher.

The figures highlight sectoral differences and show the manufacturing, construction, trade and information and communication sectors. The proportion of micro HGEs in manufacturing appears smaller than in the other sectors. Typically, there are roughly the same number of micro HGEs as there are traditional HGEs in manufacturing. This pattern applies to almost all countries, suggesting that on average the proportion of micro HGEs in manufacturing is smaller than in the business economy.

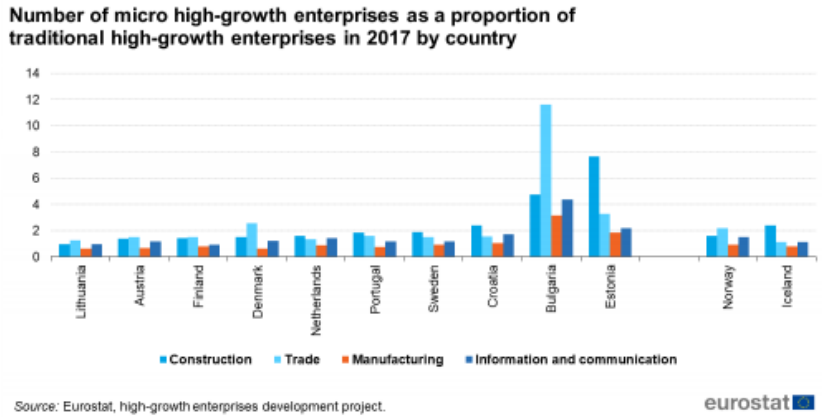


Figure 4: Number of micro high-growth enterprises as a proportion of traditional high-growth enterprises in 2017 by country Source: Eurostat, high-growth enterprises development project.

Furthermore, to assess the number of micro HGEs compared to traditional HGEs (with 10+ employees when they start growing and an average annual growth of at least 10% over 3 years), the variable number of employees has been used. Firstly, Figure 5 provides the big picture of the percentage of employees working in micro HGEs in relation to those working in traditional HGEs. On average, micro HGEs account for some 30 % of employees of the traditional HGEs. The country differences reflect structural differences across countries, ranging from 15 % in the Netherlands and Lithuania to 60 % in Norway and Estonia.

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Figure 5: Employees in micro high-growth enterprises as a percentage share of high-growth enterprises with 10+ employees in 2017, the business economy _.png Source: Eurostat, high-growth enterprises development project.

The results suggest that micro HGEs are a major contributor to employment but not as significant as traditional HGEs. In line with the conclusion from Figure 5, the economic importance of micro HGEs is considerable, since – if compared to traditional HGEs – they would increase the employees in HGEs on average by 30 % in the countries analysed. Identifying separately the universe of enterprises with 1-9 employees and the traditional enterprises already covered with 10 or more employees would provide a complete picture of the role and economic importance of high-growth enterprises overall and across countries.

Typically, micro HGEs in manufacturing accounted for a clearly smaller share of employees than in the whole business economy on average. This was valid for all sectors compared in Figure 6. In several countries, the relative importance of micro HGEs in trade and especially in construction is emphasised.

Based on the analysis comparing traditional HGEs with micro HGEs in the 12 participating countries, it is fair to conclude that taking into account micro HGEs would roughly double the number of HGEs and increase the contribution of HGEs to employment by some 30 %.

The results are also highly relevant from a policy perspective. As the previous employment results suggest, micro HGEs contribute significantly to the economy. The currently growing micro enterprises become even more significant in economic terms as they grow bigger. This would help policymakers to recognise and assess the potential of micro HGEs.

Figure 6: Employees in micro high-growth enterprises as a percentage share of high-growth enterprises with 10+ employees in 2017 Source: Eurostat, high-growth enterprises development project.

Sectoral analysis: Analysis of selected sectors across countries

This chapter presents separately the key sectors of the economy and brings new insight into the role of micro HGEs in each sector. 'Number of enterprises', 'employees' and 'value added' are used as indicators for benchmarking the sectoral performance of these micro HGEs.

Manufacturing

Figure 7 shows the importance of micro high-growth enterprises in the manufacturing sector across participating countries. Typically, slightly over 5 % of micro manufacturing enterprises are high-growth. The share is highest in Bulgaria, followed by the Netherlands, Norway and Estonia with an 8 % share of micro HGEs in manufacturing.

However, measuring the contribution micro HGEs make to employment and value added in the manufacturing sector, they account on average for almost 20 % of employment and slightly more of value added. The countries where micro HGEs had the highest employee share were Norway (23 %), the Netherlands (26 %) and Estonia (28 %). Value added share was highest in Bulgaria, followed by Lithuania.

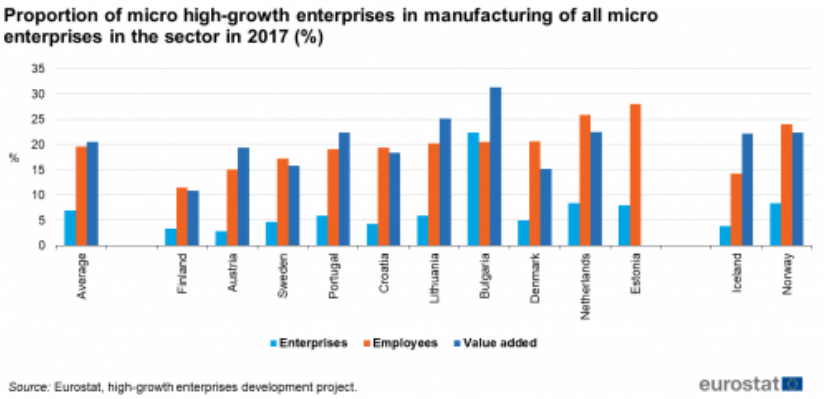

Figure 7: Proportion of micro high-growth enterprises in manufacturing of all micro enterprises in the sector in 2017 Source: Eurostat, high-growth enterprises development project.

Wholesale and retail trade

On average around 5 % of micro enterprises in the trade sector were classified as high-growth. Only in Bulgaria, followed by Norway and Denmark, was this percentage considerably higher. In several countries – such as Finland, Lithuania, Austria, Portugal and Croatia - only some 3 % of the micro enterprises in the trade sector were classified as high-growth.

High-growth enterprises on average accounted for less than 15 % of employees and value added, which is considerably less than in manufacturing. The employment shares were highest in Denmark and Norway, followed by the Netherlands and Bulgaria.

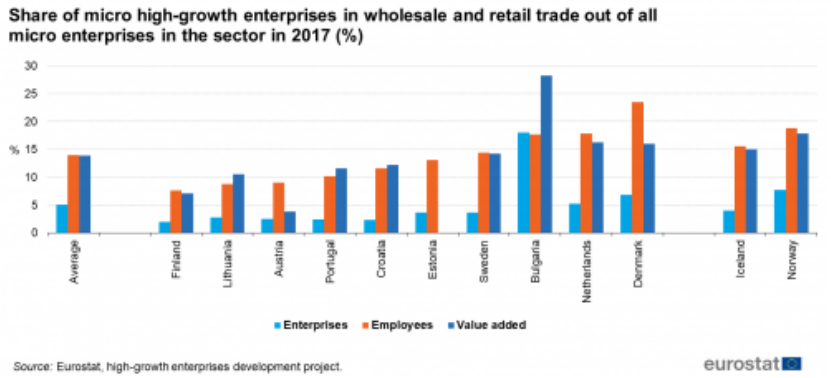

Figure 8: Share of micro high-growth enterprises in wholesale and retail trade out of all micro enterprises in the sector in 2017.png Source: Eurostat, high-growth enterprises development project.

Accommodation and food services

Accommodation and food services (Section I) is one of the sectors showing a relatively high share of micro high-growth enterprises – on average more than 10 % of all micro enterprises in the sector. If we look at the employment and value added shares, the importance of high-growth enterprises is even more pronounced.

The countries showing the highest shares in both enterprise and employment and value added are the Nordic countries of Denmark, Norway and Iceland. By contrast, the gap to the lowest end – including Austria, Finland, Croatia and Portugal - is strikingly prominent. This is even more so the case, if we recognise Croatia and Portugal whose economic structure is largely tourism-oriented.

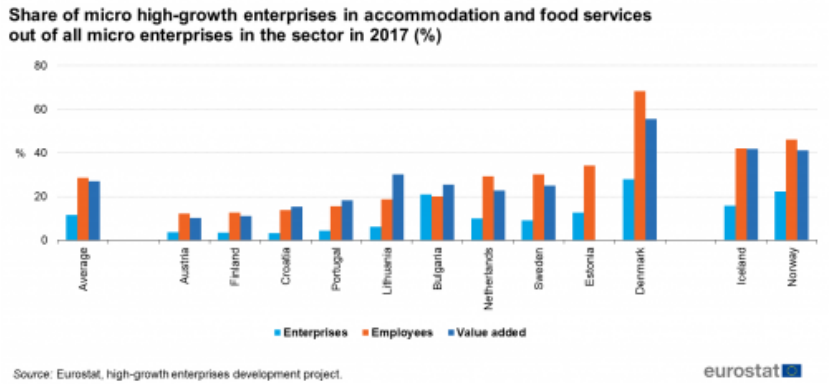

Figure 9: Share of micro high-growth enterprises in accommodation and food services out of all micro enterprises in the sector in 2017 Source: Eurostat, high-growth enterprises development project.

Administrative and support services

Administrative and support services (Section N) – including employment activities, rental and leasing activities and travel agency, tour operator reservation services – show a relatively large share of employment recorded in micro HGEs. The average share of micro high-growth enterprises in administrative services is less than 10 %, but these enterprises account for more than 30 % of employees in micro enterprises in this sector. The value added share of these enterprises is much lower than in employment, slightly over 25 %.

The employment shares of micro HGEs in the Nordic countries of Iceland, Norway, Sweden and Denmark as well as in the Netherlands are over 35 %, while the value added shares in these countries range between 25-35 %.

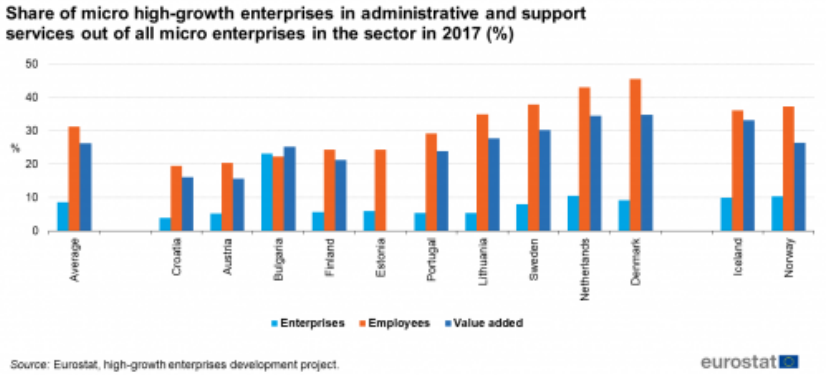

Figure 10: Share of micro high-growth enterprises in administrative and support services out of all micro enterprises in the sector in 2017 Source: Eurostat, high-growth enterprises development project.

Information and communication services

Finally, the sector of information and communication is introduced. The average share of micro HGEs in this sector is around 7 %. The highest shares were recorded for Bulgaria, the Netherlands and Norway, while in the majority of countries the share was roughly 5 %.

Both employment and value added shares of micro HGEs are around 25 % of all micro enterprises in this sector. The employment share was highest in the Netherlands, as high as 45 %, followed by Norway, Estonia, Denmark and Sweden. Employment shares were lowest at around 15 % in Lithuania and Iceland, followed by Croatia and Bulgaria with 20 % shares.

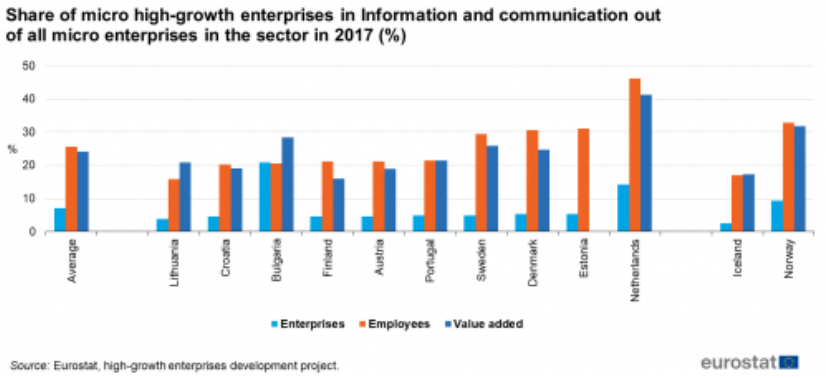

Figure 11: Share of micro high-growth enterprises in Information and communication out of all micro enterprises in the sector in 2017 Source: Eurostat, high-growth enterprises development project.

Conclusions

The results in the countries analysed, which included micro high-growth enterprises with less than 10 employees, would roughly double the number of HGEs as compared to the traditional HGE population. More importantly, in terms of employment, micro HGEs would bring roughly 30 % more employees to the total population of HGEs i.e. including both less than 10 and the traditional more than 10 employees when starting to grow. In addition, the contribution of micro HGEs to value added typically follows closely the contribution to employment. The results bring new insights to our current knowledge and understanding of the role of micro HGEs in the economy and employment and their contribution to them.

The highest number of micro enterprises as well as micro high-growth enterprises is operating within the trade sector, which includes both the wholesale and retail trade. Slightly more than a fifth of all micro HGEs are operating in the trade sector, while a clearly larger share of all micro enterprises - close to 30 % - operate in

the trade sector.

Other activities, construction and accommodation and food services are also significant sectors for micro HGEs, with each having around a 15 % share of all micro HGEs. Part-time work is typical in the accommodation and food services sector as well as in the trade sector. Micro HGEs in both professional, scientific and technical services and manufacturing represent a 10 % share of all micro high growth enterprises.

Source data for tables and graphs

- Download Excel file

Data sources

The methodology applied requires that the minimum growth in absolute numbers for a micro HGE is 3.31 employees in 3 years. This threshold is drawn from current HGE methodology where enterprises with exactly 10 employees in the beginning of growth and average annualised growth of 10 % in the number of employees over a period of three years would have the number of employees in year t at least 1.331 times higher than in year t-3. For consistency reasons, the scope of the micro enterprises is limited only to the size class of 1-9 employees in the year when growth begins and therefore omits the 0-employee size class.

In this project, the same absolute number of growth (3.31 employees) is applied to enterprises with 1 to 9 employees at the starting year of their growth (t-3). As a result, the population of micro high-growth enterprises needs to have a growth of at least 3.31 employees in 3 years.

The methodology applied is largely in line with the OECD–Eurostat manual on BD, and in particular, the relevant parts dealing with high-growth enterprises. This harmonised methodology would make it possible to compare and benchmark the standard HGE data with our new micro HGE data.

It is also important to emphasise the issue of head count versus full-time equivalent (FTE), as country practices may differ. Also, the number and share of part-time workers may influence the figures across sectors and countries.

Context

Economic growth and job creation have been key issues on the European political agenda for many years. At enterprise level, high-growth enterprises (HGEs) have a prominent and proven role in employment creation and economic growth in European countries. The current definition for high-growth enterprises excludes all enterprises having 1 to 9 employees in the beginning of the growth period (i.e. 3 years before the reference year); therefore these enterprises do not belong to the current business demography data collection on HGEs.

The results are based on the experimental statistical results of a recent pilot action assessing the role of micro high-growth enterprises in economic growth and job creation. A total of 10 EU Member States (Bulgaria, Denmark, Estonia, Lithuania, Croatia, the Netherlands, Austria, Portugal, Finland and Sweden) and 2 EFTA countries (Iceland and Norway) participated in the development project on micro high-growth enterprises. It is the first time this kind of data on micro high-growth enterprises has been collected as part of an EU project. Due to the pilot nature of this project and the limited number and size of participating countries, the results should be interpreted with caution.

See also

- Characteristics of micro high-growth enterprises
- Business demography statistics

Dedicated section

- Experimental statistics - micro high-growth enterprises

Methodology

- Methodological note: New statistics on High Growth Enterprises