# The population of Active Enterprises

**chapter** 3

## 3.1   Scope of the population

The population of active enterprises is intrinsically linked to the definitions of births and deaths that follow and the thresholds used in these definitions. The following populations of active enterprises are distinguished, depending on the employee thresholds that are applied.

| | |
|---|---|
| $N$ | Population of active enterprises including all employers and non-employers |
| $N_1$ | Population of active employer enterprises (at least one employee) |
| $N_2$ | Population of active employer enterprises with at least two employees |
| $N(0)$ | Population of active non-employer enterprises. This is the same as $N - N_1$. |
| $N(0,1)$ | Population of active enterprises with no or one employee. This is the same as $N - N_2$. |

The population of active enterprises including all employers and non-employers ($N$) consists of all enterprises that had either turnover or employment at any time during the reference period. If there is insufficient information on turnover or employment to determine whether or not an enterprise is active, then national methods leading to this aim will be accepted.

If the threshold for births and deaths, or target enterprises, is enterprises with 1 or more employees then the population of active enterprises ($N_1$) should also be based on this threshold. The same principle follows for targets 2 or more employees and so on. The employment used as a threshold for these populations should be based on the annual average in head counts over the operating period of the enterprise (please refer to section 5.3 "Employment in newly born enterprises" for further explanations on measuring the number of employees). If there is insufficient information on turnover or employment to determine whether or not an enterprise is active, then national methods leading to this aim will be accepted.

Populations $N_1$ and $N_2$ will be the denominators for the employer and economic birth and death rates as shown in Chapter 5. Populations $N(0)$ and $N(0,1)$ will be needed for the methodology to identify these births and deaths.

This scope is restricted slightly in terms of economic activity and legal form as discussed in the following paragraphs, but, at least for EU Member States, it includes the vast majority of economically significant units.

Irrespective of the thresholds used, the population of active enterprises for the purposes of calculating indicators excludes those enterprises classified to ISIC Rev. 4 sections A, O, T and U. These activities are excluded because they are not yet compulsory for statistical business registers in the EU or are not relevant for the purposes of business demography.

Similarly, enterprises with the legal forms of central or local government are excluded from this population. This is partly because there is no agreed interpretation of the enterprise definition for these legal forms, partly because they have a different role in the context of entrepreneurship and economic growth policy making. Most of them will be classified to ISIC Rev. 4 section O, which is already excluded as described above.

Data are required on populations for two main reasons:

- to provide the denominator for a wide range of indicators, and thus ensure a degree of comparability between countries with economies of different sizes

- to appreciate general trends in the patterns and relative contributions of different sectors of the economy over time.

## 3.2   Indicators

As well as providing the denominator for a range of indicators, the population of active enterprises can also be used to produce various useful indicators itself, particularly relating to the evolution of the population over time. Such indicators allow the trends in the population to be analysed, e.g. the extent and speed of the move to a service based economy, or the rate of growth of information and communication technology (ICT) activities.

It is clear that by using the population of enterprises active during a period, two effects may be observed, and may introduce an element of uncertainty. The first effect will be the genuine change in numbers of enterprises of a certain category over time. The second effect will be changes in patterns of births, deaths and survival in the same category of enterprise, i.e. if there are a relatively large number of births and deaths in a given period, the number of enterprises active during that period is likely to be higher than that for previous periods, but this may only reflect increasing volatility, not a genuine increase in the economic significance of this category. For this reason, it is recommended that indicators on the population of active enterprises are accompanied by indicators on births and deaths to aid their interpretation.

The proposed indicators on the population of active enterprises are therefore:

- The percentage change in the number of active enterprises between year xx-1 and year xx

- The percentage change in the number of active enterprises between year xx-5 and year xx

These indicators give both a relatively short-term view, and a more medium-term view of the evolution of the population of active enterprises, but it is recognised that it will not be possible to produce the second indicator until a sufficient series of back-data has been built up. It is also recognised that there is a danger that quality changes may have a significant impact when comparing data for two periods five years apart, therefore the second indicator should be regarded as provisional, and not necessarily for release, until data quality has been assured.