

Setting up of the unit “enterprise” in France: Effect on business statistics and conveying to the users

Workshop statistical unit “enterprise”
9&10 September 2019

Pierrette Briant

- 1. Setting up of the ‘enterprise’ unit and spread of the concept**
- 2. Preliminary results of the full implementation in 2017 as reference year**
- 3. The strategy for dissemination**

Implementation through profiling:

1st step : to define perimeters of enterprises according to the Enterprise definition, based on 'La Loi de Modernisation de L'économie' – the LME Act (2008-776) – 4th August 2008, itself based on European regulation (EC 696/93)

For groups in the top 60 (manual profiling): several enterprises defined possibly within the group if the autonomy decision-making criteria are satisfied:

1. The sub-set of legal units must have the means to manage and decide in an operational environment
2. The sub-set of legal units must form an economic coherent whole, acting mainly on the market
3. If these criteria are mainly met, the sub-set of legal units form an autonomous enterprise

For the other groups (automatic profiling), a single enterprise gathers all the group's legal units.

2nd step : Full consolidated accounts, at enterprise level, for both processes ;

3rd step : Breakdown of the consolidated turnover by Nace Codes.

A new size classification associated to the enterprise, instead of the number of employees (in FTE) breakdown: 0, 1-9, 10-249, ≥ 250 .

The LME Act sets up **4 categories, based on 3 criteria**:

- **Micro enterprises** : less than 10 employees and annual sales or total assets $< \text{€ } 2$ million
(services overrepresented)
- **Small and medium-sized enterprises (SMEs)** : less than 250 employees and either annual sales $\leq \text{€ } 50$ million or total asset $< \text{€ } 43$ million.
(construction, trade and services overrepresented)
- **Intermediate-sized enterprises (ISEs)** : do not belong to micro enterprises nor SMEs, less than 5 000 employees and either annual sales $< \text{€ } 1,500$ millions or total assets $< 2\ 000$ millions.
(industrial sector overrepresented)
- **Large enterprises (LEs)** : not classified in any category above:
(industrial sector overrepresented)

Setting up of the 'enterprise' unit and spread of the concept

A progressive expansion of the enterprise scope between 2013 and 2016 (ref years)
 From 2017 onward a full setting up: big bang process

observation year	Partial compliance for SBS				Full compliance for SBS.....		
	2013 and before	2014	2015	2016	2017	2018	2019 and after
Unit taken into account to answer to SBS regulation	Only 5 historical profiled enterprises, for the rest LU=ENT						
		ENT=ENT only for Manual profiling, for the rest LU=ENT					
					Manual and Automatic profiling: ENT=ENT		
Further Improvements							Automatic profiling for Target 3 improved by using a specific survey

- Up to 2013 exercises, French SBS data to Eurostat included 5 historical enterprises, according to the definition.
- From 2014 to 2016, SBS data included around 100 enterprises delineated within the top 51st groups located in France (18% of the VA).
- From 2017 onward, SBS data includes all the enterprise delineated manually **AND** automatically (18%+54% of the VA).

Insee is now fully compliant with the current SBS Regulation.
Same dissemination pattern in enterprise unit at national level.

2. Preliminary Results of the full enterprise implementation in 2018-2019 for the reference years 2016 and 2017

Preliminary 2016 results; the key messages are the same as for 2017.

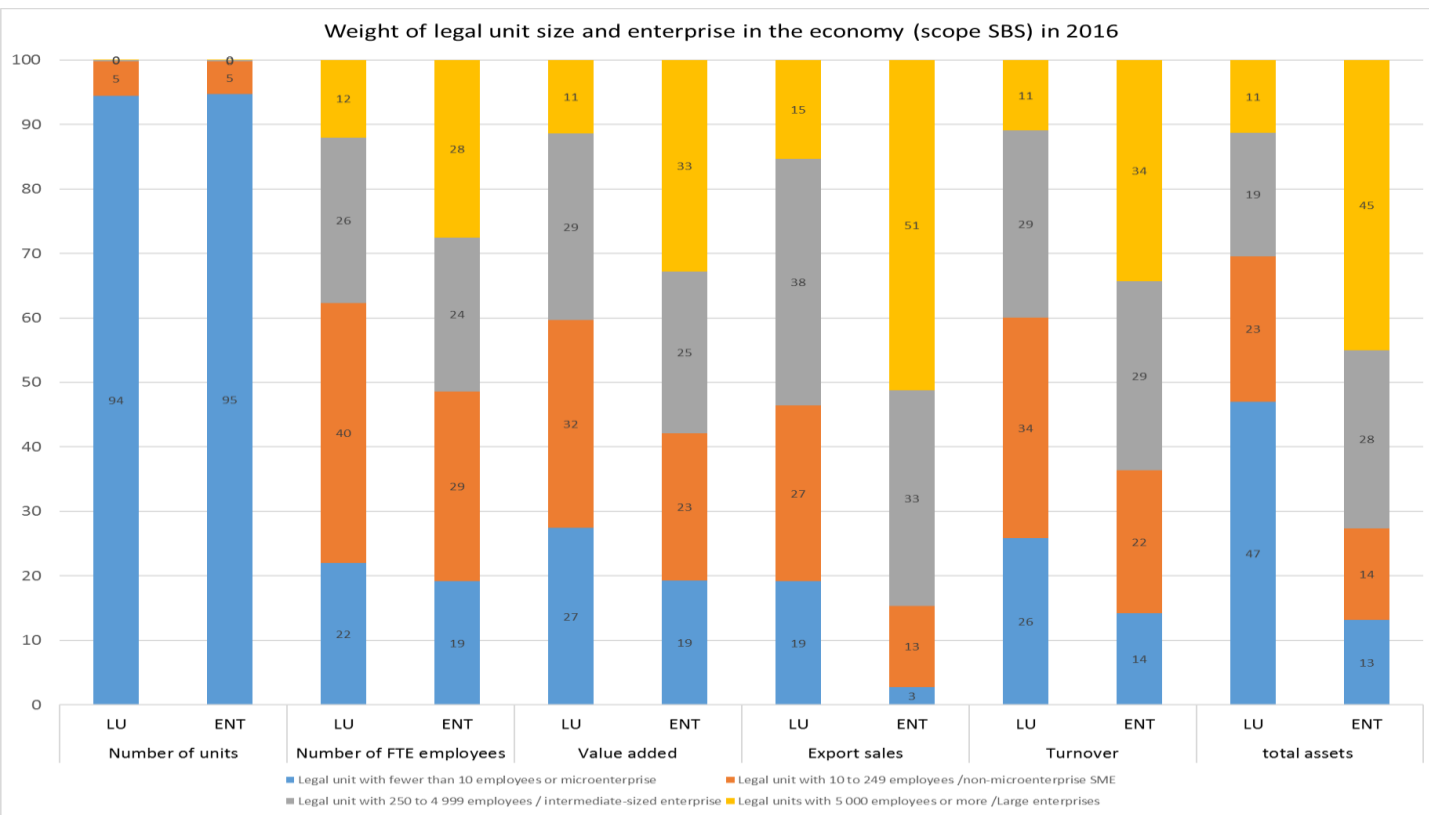
2,8 million enterprises under the SBS Scope (non farm and non financial market sectors, excluding micro-entrepreneurs and entities under the tax regime of micro-enterprise)
= 3 million Legal Units.

2,7 million Enterprises (ENTs) have only one Legal Unit (LEU), of which some of them belong to a group: financial LEUs are excluded.

Almost 100 000 Enterprises (ENTs) have more than one LEU:
50% have 2 LEUs, 75% 2 or 3, 90% 5 or less, 99% 19 or less (Max=2 353 LEUs).
94 ENTs have more than 100 LEUs.

2. Preliminary Results of the full enterprise implementation in 2018-2019 for the reference years 2016 and 2017

Effect of the shift from LEU to enterprises: enterprises network more concentrated than with legal units



241 large enterprises and around 5 000 intermediate sized ENT weight more than the 2, 8 millions **SMEs + micro SMEs**:

58% of the VA (+18 percentage points than LEU),
85% of the export sales (+31 % points),
64% of the total CONSOLIDATED turnover,
45% of the CONSOLIDATED fixed assets concentrated in the **largest enterprises** (+34 % points).

The big losers: the **SMEs**, especially the **micro SMEs** for the fixed assets (holdings) : 40% of the LEs' and ISEs' assets from LEU < 10 employees.

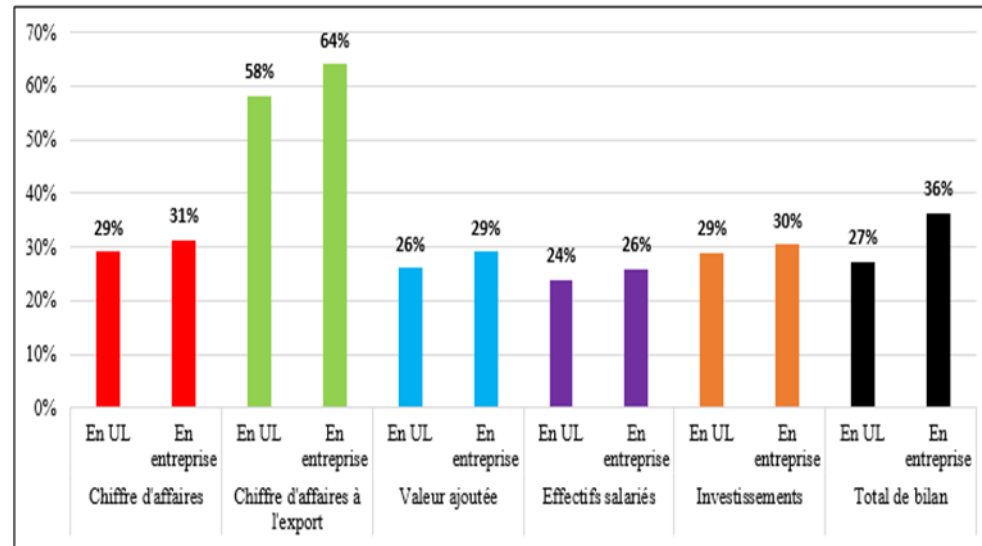
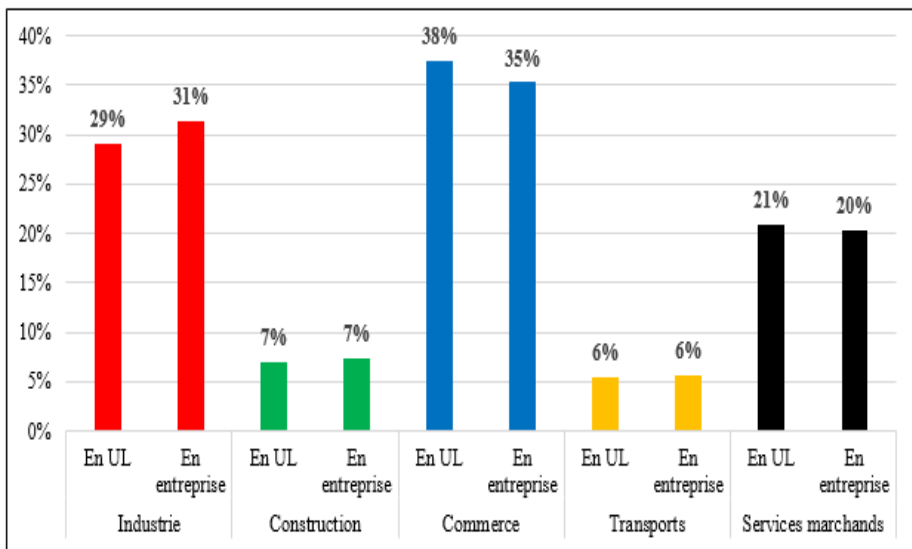
2. Preliminary Results of the full enterprise implementation in 2018-2019 for the reference years 2016 and 2017

Sector approach : the better way to study the shift from LEUs to Enterprises (common measure, not as the criterion of size).

Incorporation of service-sector and trade LEUs increases the weight of manufacturing enterprises

Illustration for the aggregate of the TURNOVER.

The industrial sector is the winner, whatever the variables.



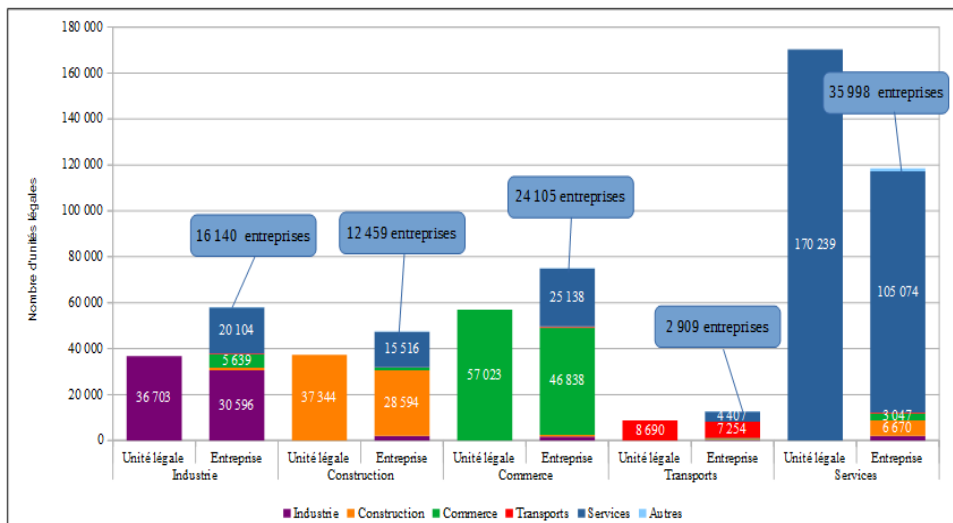
Strongest effects concerns the fixed assets: holdings, head offices, management, R&D activities classified, as LEU, in services, to a lesser extent, on export sales and VA.

Scope : Enterprises belonging to groups

2. Preliminary Results of the full enterprise implementation in 2018-2019 for the reference years 2016 and 2017

How does the sectoral shift work from LEU to enterprises?

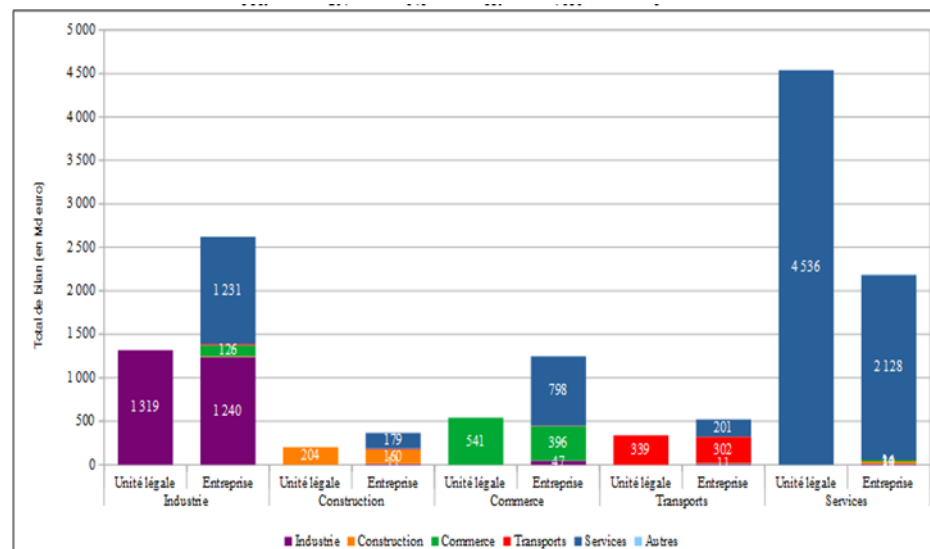
In number of units



Champ : France, entreprises (constituées en groupes) des secteurs principalement marchands non agricoles et non financiers.

Source : Insee, Esane (données individuelles)

In total assets (Billion €)



Champ : France, entreprises (constituées en groupes) des secteurs principalement marchands non agricoles et non financiers.

Source : Insee, Esane (données individuelles)

Reading :

36 706 LEUs belong to the industrial sector ; the 16 140 industrial enterprises are composed of 30 596 industrial legal units, 5 639 LEUs belonging to the trade sector and 20 104 LEUs belonging, as LEU, to the services sector.

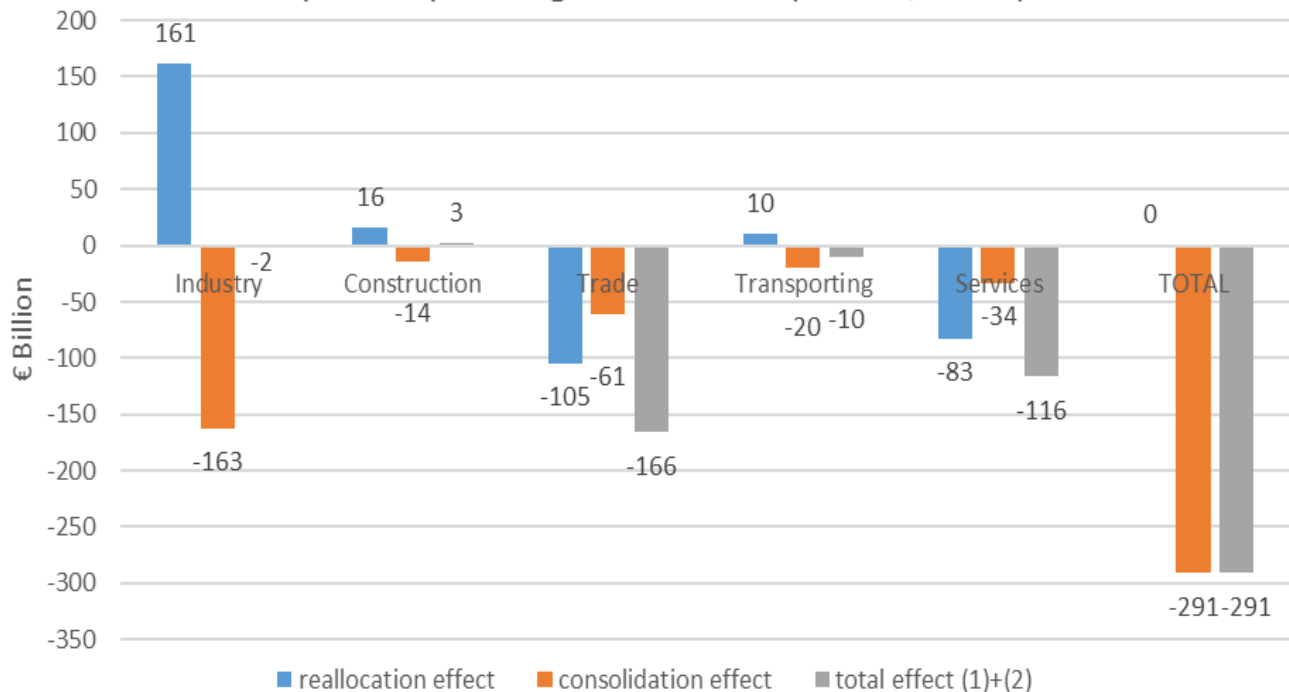
The industrial sector doubles its total assets, what designs a more consistent vision of this capital intensive sector.

Scope : Enterprises belonging to groups

2. Preliminary Results of the full enterprise implementation in 2018-2019 for the reference years 2016 and 2017

What about the consolidation effect as compared to the LEU assignment (reallocation)?

Impact of profiling on Turnover (France, 2016)



After profiling, the turnover is reduced by (almost) 300 bn€, that is -8% of the whole LEUs' turnover.

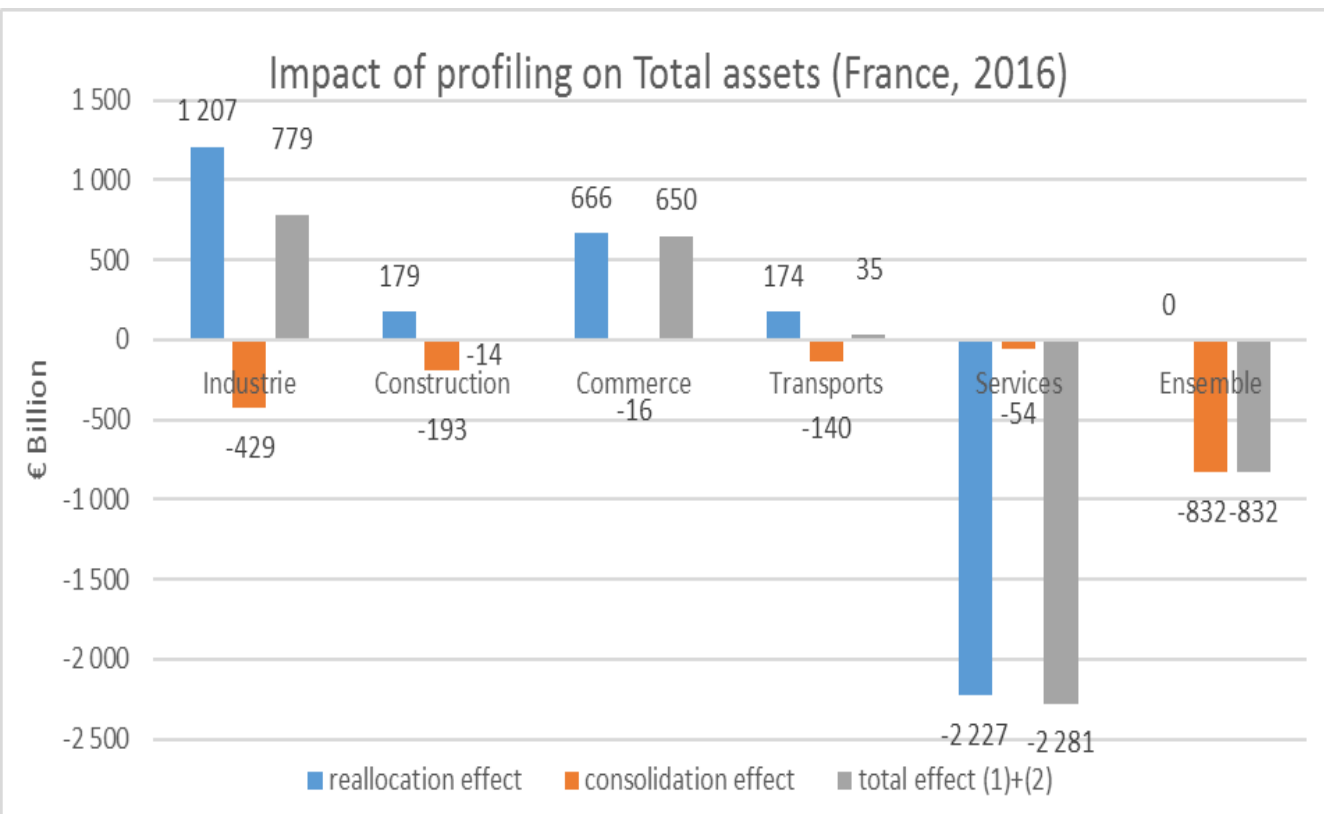
(scope: SBS enterprises).

Profiling is neutral on the turnover of the industrial sector (and on the construction sector) : compensation between reallocation and consolidation impact.

Scope : Enterprises belonging to groups

2. Preliminary Results of the full enterprise implementation in 2018-2019 for the reference years 2016 and 2017

What about the consolidation effect as compared to the LEU assignment (reallocation)?



Reallocation effect exclusively from the services.

After profiling, the Total assets are reduced by more than 800 bn€, that is -11% of the whole LEUs' total assets.

(scope: SBS enterprises).

Scope : Enterprises belonging to groups

2. Preliminary Results of the full enterprise implementation in 2018-2019 for the reference years 2016 and 2017

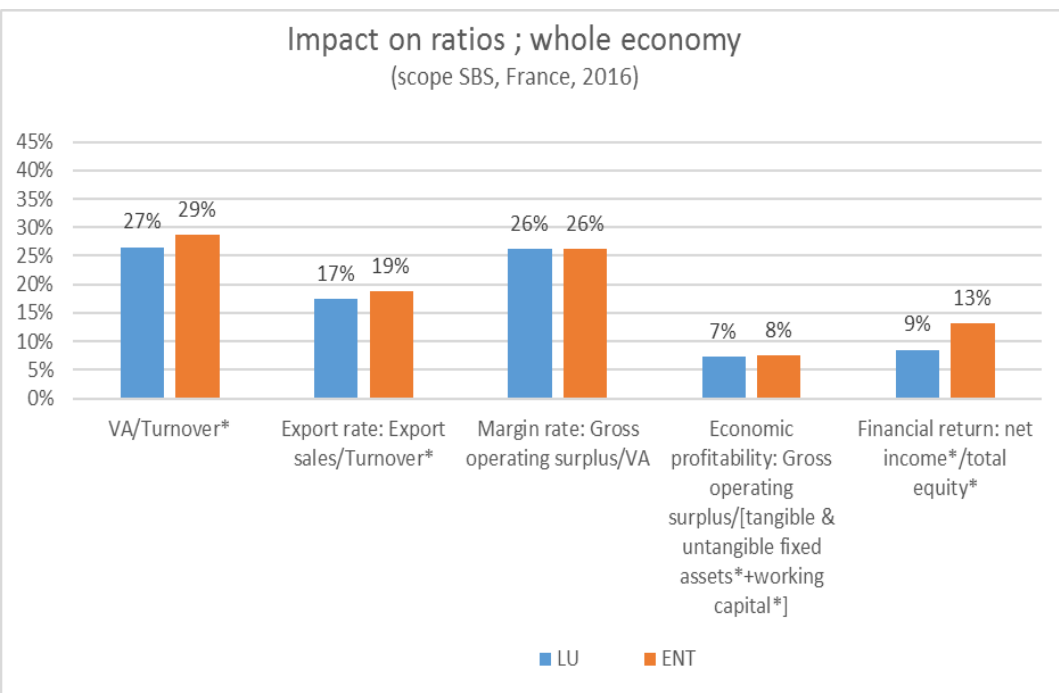
In brief,

As for turnover and total assets, for all the accounting items:

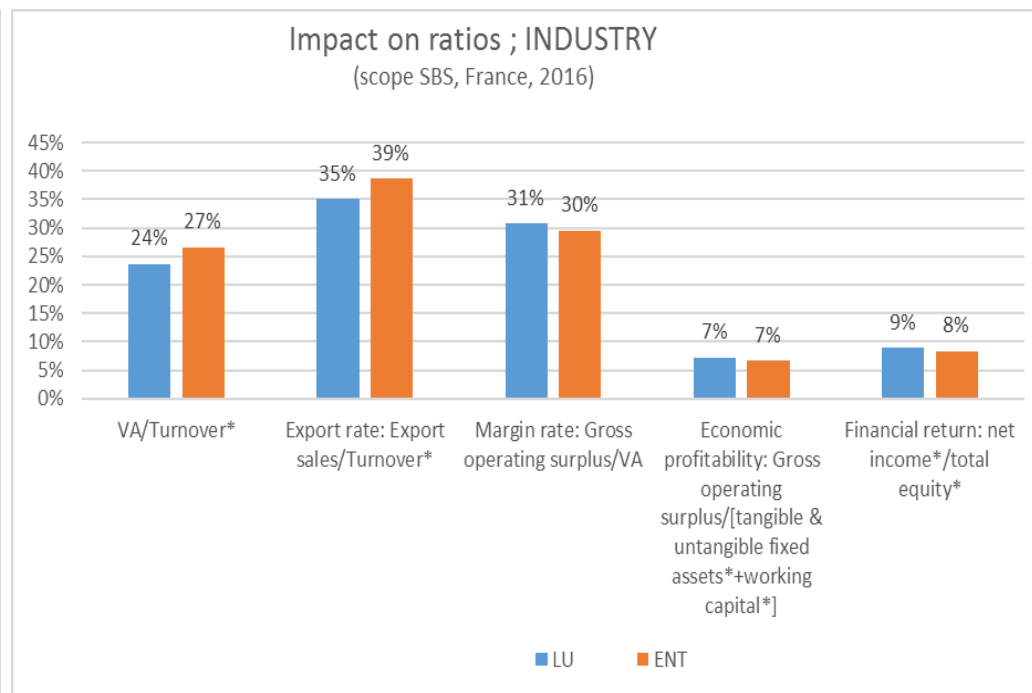
- Reallocation effect stronger than consolidation effect.
- Winners: industry and the large enterprises at the expenses of ancillary activities in the services, especially headquarters and holding companies (and real estate companies): before consolidation, these companies concentrate 30 and 40% of the financial assets and 20 and 30% of the financial debts of the groups.
- Consolidation stronger on financial items such as financial products or equity than on turnover or receivable and payable accounts.

2. Preliminary Results of the full enterprise implementation in 2018-2019 for the reference years 2016 and 2017

What about the effect on ratios of implementation of enterprise as statistical unit?



Sole effect of consolidation* on the whole economy



Combined effect of reallocation and consolidation* on Industry

3. The strategy for dissemination

- **Working group in the National Council for Statistical Information** (forum for consultation between producers and users of statistics) **launched by the business Directorate of INSEE to prepare the dissemination in enterprises at the end of the year:**
- The participants are representatives of
 - MEDEF (the French Employers' Association),
 - French Association of Large Companies,
 - Professional and employees trade unions,
 - Bank of France,
 - Chamber of Trade and Industry of Paris,
 - BPI France (public bank to support entrepreneurs),
 - Public statistical system.
- **5 meetings from April to the end of 2019:**
 - submission of new data presentation and associated documentation,
 - vocabulary conventions (enterprise, Legal Unit, company, affiliate, ...) to update the annual dissemination.

3. The strategy for dissemination

Reactions/questions of the users in the WG :

- Favorable reception to the full implementation of the new definition : more relevant, more consistent.
- Scope of the shift to enterprises? *structural statistics only (including the LEU, when just created): neither the short term statistics nor the national accounts (for which data in LEU will continue to be prepared).*
- Derivation for previous years? *Limited to the year before, even for the first year of full implementation (2017).*
- Loss of detailed information? *Gathering LEUs might give a misleading impression. However, at the same time everybody agrees with the relevance of the enterprise concept.*
- How is now subcontracting measured? *Not measured in this context but a survey on that topic is planned for 2020.*
- Regional detail in enterprise? *The relevant unit is the local establishment, for which the number of employees was the key to prorate financial data from the LEU level, now from the enterprise level.*
- Effect on public assistance on enterprise development (eligibility change according the unit is the legal one or the enterprise): *need to carry out dispersion analyses, based on micro-data.*
- European comparison and access to micro-data from other countries? *No micro-data sent to Eurostat ; to access to foreign micro-data, need to be recognized as a research entity ; progressive implementation of the unit Enterprise according to countries to improve the comparisons (**could the timetable be known?**).*

3. The strategy for dissemination

Dissemination consists of :

- detailed figures in enterprises categories : (2018 : <https://www.insee.fr/fr/statistiques/3560277>)
- release “Les entreprises en France” (2018 : <https://www.insee.fr/fr/statistiques/3639594>);
for the 2019 edition :

* 3 articles :

1. Vision of the economic fabric in 2017 through the economic definition of enterprises
2. Methodological presentation of the implementation of the unit enterprise in the business statistics (detailed version of « le profilage à l’Insee, une identification plus pertinente des acteurs économiques », *Olivier Haag, in le Courrier des statistiques, 2019*)
3. Impact of the new definition of enterprises on the measure of productivity.

* Sectoral approaches, with key figures in enterprises associated to a one shot information about

- a description of the transition between LEUs and enterprises (see previous charts),
- back-casting for year 2016 (methodology and perimeter 2017).

* **press conference, with a specific preparation (before) of the journalists, in order to explain them the changes.**

Thank you!

Any questions?

Join us on:

[insee.fr](https://www.insee.fr)



Pierrette BRIANT

DRISS

Pierrette.briant@insee.fr