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European Profiling: Results from the Interactive Profiling Tool data

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Background on European Profiling

- Eurostat and NSIs cooperate to achieve a cross-border, consistent view of MNE groups:
 - to understand the structure, activities of the MNE groups both at global level and at national level;
 - to address inconsistencies coming from different practices, views and tools between the NSIs.
- A collaborative process between:
 - the GDC NSI (The NSI of the country where the global decision centre of the MNE group is located);
 - The partner NSIs (those of the countries where this MNE group has legal units or branches);
 - Eurostat which developed a secure platform which allows the NSIs to exchange and store the results: the *Interactive Profiling Tool* (IPT).

The results of European Profiling

- Common experience under the ESRs project (since 2014)
 - 410 MNE groups profiled (at least once)

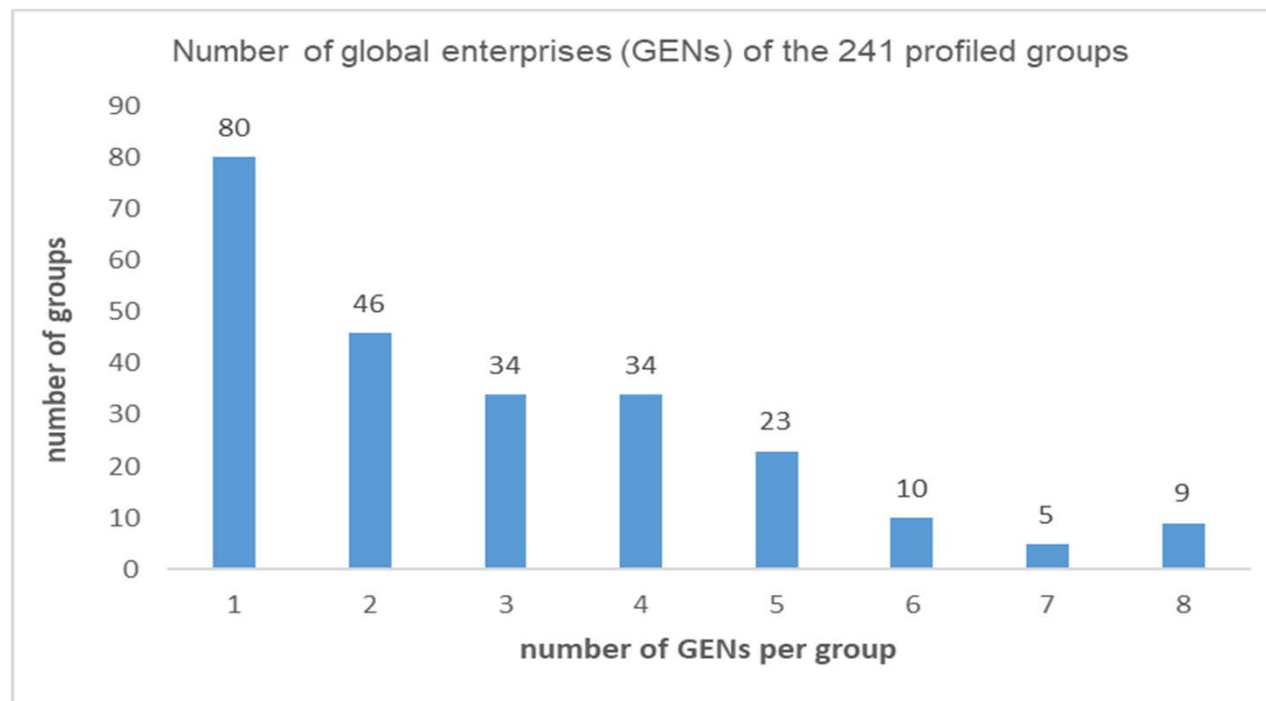
- Last IPT/Profiling cycle with 26 NSIs:
 - 117 MNE groups profiled by 19 NSIs;
 - Another 7 NSIs mostly testing.

- As a result, in September 2019:
 - 241 MNE groups stored in the IPT, chosen as very large and complex;
 - They employ 6,5 M employees and control 28,176 legal units;
 - European profiling provided 692 Global enterprises (GENs).

Profiling practices are quite homogeneous among the NSIs

- From 1 GEN to 8 GENs per MNE group in each of the 3 profiling cycles;
- A third of groups have just one GEN.

Graph 1: Number of MNE groups according to the number of their GENs



Source: Eurostat, grants 2015-2016-2017 on European profiling

The largest MNE groups are present in more countries

Table 1: Indicators on the MNE groups' structure according to their size

Groups by size:	Number of groups	employees / group	median of countries involved	Legal units / group	Groups of 1 GEN (%)	GENs /group
less than 5,000 employees	83	2.313	8	33,8	30	2,7
5,000 to 9,999 employees	52	7.443	17	74	36,5	2,7
10,000 to 49,999 employees	78	24.491	32	158,9	29,4	3,1
50,000 employees or more	28	143.854	36	326,1	32,1	3
<i>All</i>	<i>241</i>	<i>27.043</i>	<i>16</i>	<i>92,6</i>	<i>33,1</i>	<i>2,9</i>

Source: Eurostat, grants 2015-2016-2017 on European profiling

- Strong connection between the number of countries in which MNE groups are present and their size (columns 2 vs 3);
- No connection between the size and the number of GENs (columns 2 vs 5-6);
- No connection between the number of countries in which MNE groups are present and the number of GENs (columns 3 vs 5-6).

The internal structure of a MNE group is greatly determined by its activity

Table 2: Indicators on groups' internal structure according to the main activity

	Number of Groups	employees / group	Groups of 1 GEN (%)	GENs /group	Legal units /group	employees /GEN	employees /legal unit	
Manufacturing: C	132	22.851	32,6	2,7	117,4	8.333	195	more complex
Electricity and Gas: D	13	18.849	7,7	4,8	114,7	3.890	164	many GENs
Construction: F	10	14.688	70,0	2,2	118,6	6.732	124	many LeUs
Wholesale trade : 46	7	3.830	42,9	1,7	35,9	2.234	107	smaller
Retail trade: 47	16	53.655	31,3	3,1	109,1	17.520	492	larger, simpler
Business to Business: M, N, JA, JC	19	49.731	47,4	1,7	123,5	28.633	403	larger, simpler

Source: Eurostat, grants 2015-2016-2017 on European profiling

- Manufacturing groups are more complex than those performing trade or Business to Business (in NACE, sections M and N, divisions JA and JC);
- Construction groups have many legal units, but 70 % consist of one GEN;
- Electricity and Gas groups have far more GENs (elaborated later).

Shifting from the legal units to the GENs consolidates ancillary activities in the main activity

Table 3: Employment distribution (%) for Manufacturing groups in sample

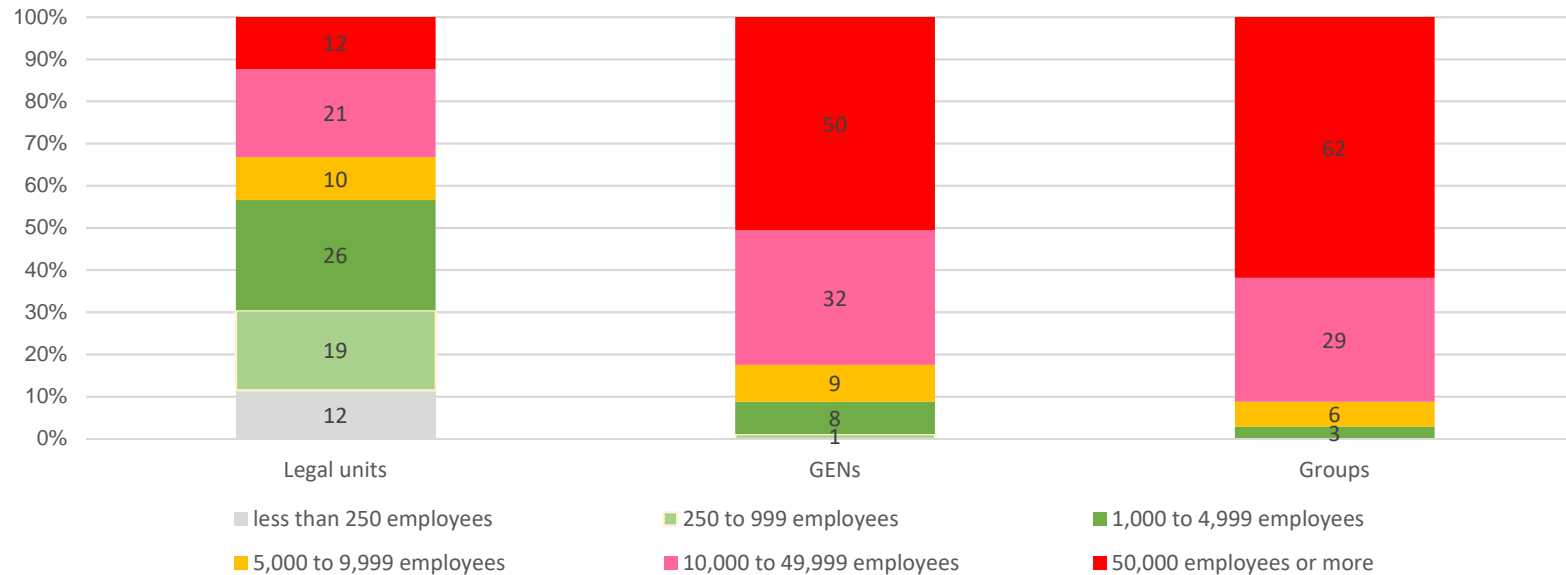
	Manufacturing	
	employment distribution (in %) in GENs	employment distribution (in %) in LeUS
C: Manufacturing	<u>95,2</u>	<u>75,2</u>
D: Electricity Gas	0,2	0,1
F: Construction	0,5	1,6
46: Wholesale trade	0,6	<u>10,9</u>
47: Retail trade	0,1	1,0
H: Transportation	0,1	0,9
JA, JC, M, N : B. to B.	2,2	<u>6,0</u>
Others	1,1	4,4
All	100,0	100,0

Source: Eurostat, grants 2015-2016-2017 on European profiling

- In manufacturing, legal units in wholesale trade, R&D, engineering;
- The GENs are far more realistic than legal units in terms of size, sector, variables (case of wholesale trade legal units just billing the production).

Small legal units (without economic substance) skew the size concentration

Chart 4: Employment distribution (%) by size in legal units, GENS and groups of the 241 MNE groups



Source: Eurostat, grants 2015-2016-2017 on European profiling

- In legal units, 12 % of the employees would be employed by SMEs;
- Only 12% of the employees in legal units in the maximal size, far less than in GENS or in groups.

European profiling improves the view of MNE groups' activities

With the legal units, statisticians depends on the groups' internal organisation in legal entities:

- Wrong view of the groups in terms of structure and performance;
- Important biases in sector distribution and in size concentration.

Through profiling, statisticians define enterprises with an economic meaning:

- These enterprises have an economic substance, a "certain degree of autonomy" and are market-oriented;
- The enterprises delineated within a group reveal its business model, productive or market synergies.

In addition, European Profiling provides cross border consistency:

- Common understanding of the MNE groups by the European NSIs;
- Sharing of experiences, findings and common tools.

Current and future developments

- 27 NSIs participate in the current cycle of European Profiling
- Current developments of European Profiling:
 - Implementation of the integration between the European Groups Register and Profiling;
 - A European Profiling programme is being designed;
 - A European Profiling Recommendations manual to be published (available on Wiki/Profiling).
- Papers with results already published (available on the Internet)
 - “Improving the quality of Business Statistics through Profiling” (European conference on quality in official statistics, Krakow, June 2018)
 - “European profiling to better measure MNE groups’ activities” (Conference of European Statisticians, Geneva, April 2019)

Thank you for your attention!

For questions or comments:

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For matters relevant to the Interactive Profiling tool:

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