

# EU-27 business services: thriving in the wake of outsourcing and liberalisation

## Statistics in focus

### INDUSTRY, TRADE AND SERVICES

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Author  
Pekka ALAJÄÄSKÖ

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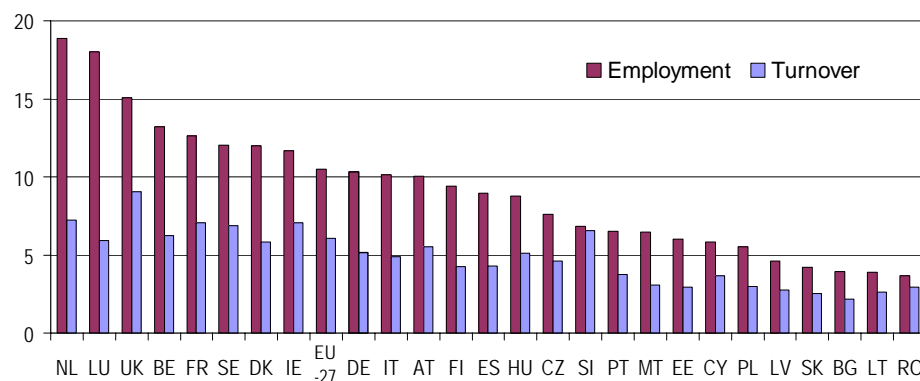


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Business services are a driver of the knowledge-based economy and their labour-intensive nature has also attracted interest in their potential as providers of new jobs in the future. Contributing to the recent increase in business service activity, the growing trend in outsourcing has seen many enterprises use service providers for non-core professional activities. Important factors are also technological progress and the Internet, which have provided new production possibilities and new modes of supply. Beyond the establishment of the framework of the General Agreement on Trade in Services (GATS) and greater international market openness, the recently agreed European Services Directive (2006/123/EC) should provide business services with further strengths on the international stage.

In 2004, more than 2.9 million enterprises in the EU-27 had as their main activity the provision of business services. They employed 13.1 million persons and generated total gross turnover of EUR 1 178 billion, which is equivalent to 10.5% of total employment in the non-financial business economy (NACE Sections C to I and K) and to 6.1% of total turnover respectively (Fig. 1).

Figure 1: Specialisation in business services (NACE K72 and K74.1 to K74.5) 2004  
In % of the non-financial business economy (NACE C to I and K)\*



\* LU 2003, MT 2002, IE NACE C 2002, UK NACE G 2003, DE NACE E & G 2003, EL not available.

Source: Eurostat (SBS - Annual)

The most-specialised countries in terms of the share of business service turnover in the non-financial business economy totals were the United Kingdom, the Netherlands, France and Ireland. Country specialisation differs somewhat when measured in terms of employment, where the Netherlands, Luxembourg and the United Kingdom stand out. These are countries that all have strongly developed markets in Labour recruitment (NACE K74.50). As personnel hired by enterprises in other economic sectors are counted as being employed by Labour recruitment enterprises, this contributes to higher labour-intensity ratios in the business service sector of these countries.

Business services (NACE K72 and K74.1 to K74.5) include: Computer & related activities (K72.00), Legal, accounting, bookkeeping & auditing activities, tax consultancy, market research & public opinion polling, business & management consultancy, holdings (K74.10), Architectural & engineering activities & related technical consultancy (74.20), Technical testing & analysis (74.30), Advertising (74.40) and Labour recruitment & provision of personnel (74.50).

## Structure

Table 1: EU-27 turnover, value added and employment in business services, by activity, 2004

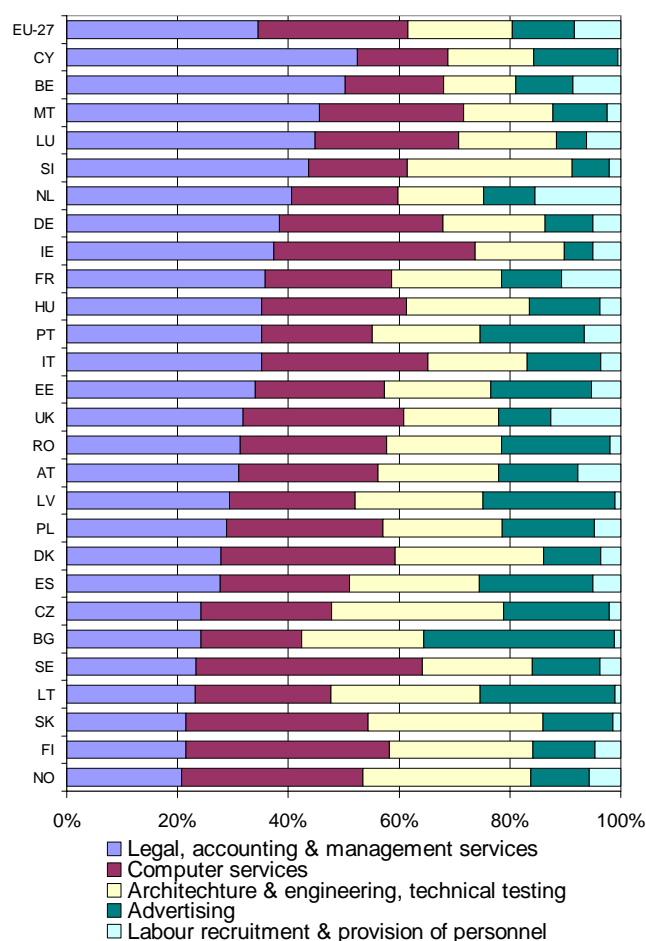
	Turnover		Value added		Persons employed	
	Million EUR	%	Million EUR	%	Thousands	%
<b>Total Business services (NACE K72 and K74.1 to K74.5)</b>	<b>1 178 306</b>	<b>100%</b>	<b>600 791</b>	<b>100%</b>	<b>13 144</b>	<b>100%</b>
Computer services (K72.00)	318 014	27%	157 107	26%	2 583	20%
Legal, accounting & management services (K74.10)	407 690	35%	224 177	37%	4 354	33%
Architecture & engineering, technical testing (K74.20 & K74.30)	221 664	19%	109 495	18%	2 419	18%
Advertising (K74.40)	131 814	11%	33 967	6%	844	6%
Labour recruitment & provision of personnel (K74.50)	99 124	8%	76 046	13%	2 944	22%

Source: Eurostat (SBS - Annual)

The main types of business services are detailed in Table 1. Legal, accounting and management services stood out as being the activity with the highest turnover and value added, as well as employing the highest number of people. Computer services produced strong turnover and value added but employed fewer people proportionally, thus displaying relatively high labour productivity. Proportionally, the number of persons employed in Labour recruitment was significantly higher than turnover, as people employed by this sector work for enterprises in other sectors, where they contribute to turnover. Advertising produced proportionally higher turnover, as an important part of the activity is buying and re-selling advertising space and time. This also explains why the turnover per person employed was highest in Advertising in the EU-27 in 2004, reaching EUR 156 196, compared with EUR 89 645 on average in business services and EUR 155 600 in the non-financial business economy.

Figure 2 shows the make-up of the business services sector in individual countries. Legal, accounting and management services contributed to more than half of total turnover in Cyprus and Belgium. Computer services made up 41% of Sweden's business service turnover. Architecture, engineering and technical testing was a major contributor to the sector in Slovakia, the Czech Republic, Slovenia and Norway. Making up an average 8% of business services total turnover in the EU-27, Labour recruitment contributed to 15% of the sector total in the Netherlands, 13% in the United Kingdom and 11% in France.

Figure 2: Business services turnover by activity, 2004 (%)\*



\* EL not available.

Source: Eurostat (SBS - Annual)

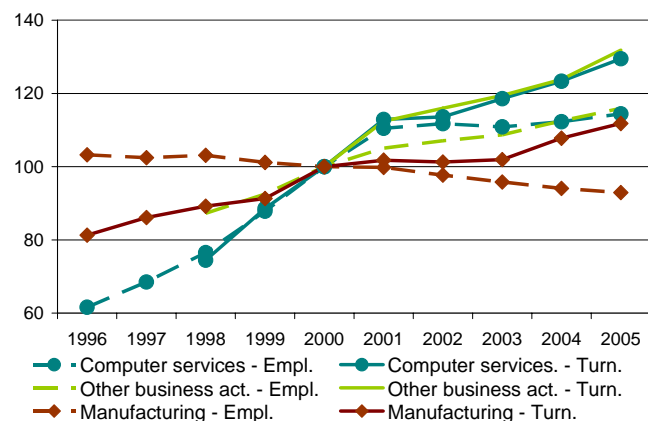
Table 2: Main indicators: business services (NACE K72 and K74.1 to K74.5), 2004

	EU-27	BE	BG	CZ	DK	DE	EE	IE	ES	FR	IT	CY	LV	LT
Turnover - million EUR	1 178 306	42 590	1 122	11 033	21 087	192 701	746	18 545	73 987	205 089	118 928	683	664	853
Value added - million EUR	600 791	15 573	299	4 321	10 662	108 356	335	8 560	37 012	94 876	58 384	452	268	334
Number of persons employed - thousands	13 144	315	69	272	199	2 141	23	114	1 151	1 804	1 489	12	27	31
Number of enterprises - thousands	2 921	77	17	156	29	295	5	18	298	347	623	2	6	5
Gross operating rate - in %	18.1	11.0	12.2	19.7	13.6	20.4	16.6	24.6	19.2	5.7	28.0	27.5	19.0	17.7
Turnover per person employed - thousand EUR	89.6	135.4	16.2	40.5	105.9	90.0	32.3	162.8	64.3	113.7	79.8	58.3	24.3	27.6
Average personnel costs - thousand EUR	35.9	45.6	3.2	13.6	42.4	37.5	9.8	40.9	25.7	46.8	31.5	27.5	6.1	6.5
Apparent labour productivity - thousand EUR	45.7	49.5	4.3	15.9	53.5	50.6	14.5	75.1	32.2	52.6	39.2	38.6	9.8	10.8
Wage adjusted labour productivity - in %	127.3	108.6	135.8	116.8	126.2	134.9	147.9	183.6	125.1	112.3	124.5	140.3	162.1	165.9

Source: Eurostat (SBS - Annual)

## Employment and turnover growth

Figure 3: Change in employment and turnover, EU-27, selected sectors, 1996–2005 (2000 = 100)



Note: Other business activities (K74.00) also include Investigation and security activities (K74.60), Industrial cleaning (K74.70) and Miscellaneous business activities n.e.c. (K74.80). Source: Eurostat (STS)

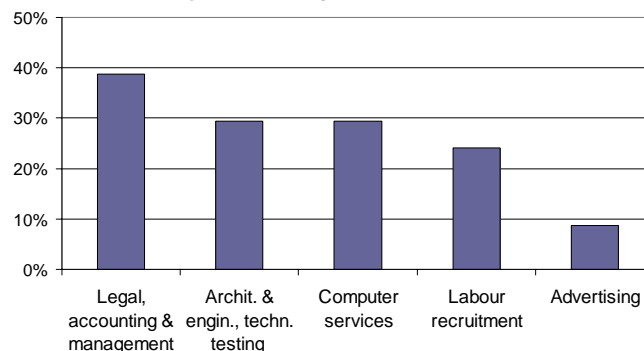
Displaying increasing importance in the European economy, business services' growth outperformed that of the manufacturing sector (NACE D) both in terms of employment and turnover between 2000 and 2005 (Fig. 3). Over that time period, while manufacturing turnover grew at 2.3% annually with slight cyclical variations, manufacturing employment decreased at a steady annual average of 1.5%. This is mainly explained by two facts: the outsourcing of non-core activities to other sectors such as business services and the implementation of technological gains in industry. In contrast, the turnover produced by Computer services and Other business activities (NACE K74, see Note, Fig. 3) grew at annual rates of 5.3% and 5.7% respectively, as employment by those sectors grew by 2.7% and 3.0% yearly. From 1996 to 2001, employment in Computer services grew exponentially, displaying yearly growth rates of 12.4% before dampening in the subsequent phase.

The turnover of most sub-sectors grew strongly during the first five years of the new millennium (Fig. 4), taking into account a marked slowdown across the board in 2002, followed by recovery and gain in momentum. The turnover of Legal, accounting and management services (K74.11 to K74.14) grew at an

annual rate of 6.8% from 2000 to 2005. Computer services and Architecture, engineering and technical testing both displayed an annual growth rate of 5.3%. Labour recruitment activities' turnover increased by 4.4% yearly over the period, after having seen particularly strong turnover growth in the second half of the 1990s. For their part, Advertising activities witnessed growth rates in turnover averaging an annual 1.7% over the period. Sluggish growth may partly be attributed to rising competition from the new internet media.

The trends apparent in these figures are confirmed by employment data, for which a detailed sectoral breakdown is available for the period 2001-2004. During those three years, employment in Legal, accounting and management services rose at an annual 3.7%, while employment in Architecture, engineering and technical testing and in Computer services grew by 2.0% and 1.7% respectively. From 2001 to 2004, the number of persons employed in Labour recruitment rose at an annual rate of 2.9%, while in Advertising it grew by 0.8%.

Figure 4: EU-27 business services, turnover by main activity, total change 2000–2005 (%)



Source: Eurostat (STS)

The apparent labour productivity of business services (value added per person employed) fell somewhat from 46 000 EUR in 2001 to 45 700 EUR in 2004. The ratio rose in the case of Computer services, Labour recruitment, and Architecture, engineering and technical testing.

Table 2: Main indicators: business services (NACE K72 and K74.1 to K74.5), 2004 (continued)

	LU*	HU	MT**	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK	NO
Turnover - million EUR	2 935	10 122	270	71 362	23 491	13 109	10 819	3 217	3 628	1 610	12 153	36 533	277 141	16 698
Value added - million EUR	1 555	2 695	209	31 928	11 502	4 822	4 033	1 028	1 035	588	5 658	17 697	165 558	8 725
Number of persons employed - thousands	36	226	8	869	236	413	192	147	39	38	114	310	2 706	134
Number of enterprises - thousands	5	103	4	102	52	161	28	42	14	5	26	129	340	36
Gross operating rate - in %	10.2	10.4	52.9	10.1	15.4	21.6	5.9	16.9	10.1	12.8	7.5	9.8	24.3	13.6
Turnover per person employed - thousand EUR	82.0	44.8	34.4	82.1	99.4	31.8	56.2	21.8	93.2	42.8	106.2	117.8	102.4	124.9
Average personnel costs - thousand EUR	37.6	10.3	13.9	31.8	41.4	8.7	18.6	3.4	21.5	10.5	44.4	53.1	40.5	53.6
Apparent labour productivity - thousand EUR	43.4	11.9	26.6	36.7	48.7	11.7	21.0	7.0	26.6	15.6	49.4	57.1	61.2	65.3
Wage adjusted labour productivity - in %	115.6	116.1	192.3	115.6	117.4	133.6	112.5	203.7	123.5	148.9	111.5	107.4	151.0	121.7

\*LU 2003 data; \*\*MT 2002 data — EL data not available.

Source: Eurostat (SBS – Annual)

## Main products

The remainder of this publication presents the results of a statistical development project aimed at improving the understanding of the business services sector, and which forms part of a continuous effort to improve the

sector's statistical coverage. Table 3 shows the breakdown of turnover by specific products in the principal business service activities.

Table 3: Business services turnover detailed by product, 2004, million EUR and % of activity total

ACTIVITY / PRODUCT	TOTAL	DK	DE	EL	ES	LV	LT	MT	RO	SI	SK	FI	SE	UK	NO
<b>Computer services (K72.00)</b>	189 077	6 615	56 841	797	17 266	153	208	70	763	647	529	4 436	14 928	80 364	5 460
(%) Hardware services	11	11	11	12	19	19	15	14	16	20	19	28	6	9	10
(%) Software services	42	49	41	62	53	39	37	43	42	27	39	54	47	38	47
(%) Computer facilities mgmt, data mgmt	16	19	30	6	14	19	14	13	7	10	14	6	19	7	19
(%) Network & telecommunication	4	2	3	5	1	c	2	14	2	3	2	2	3	6	4
(%) Resale	9	16	7	10	9	17	26	11	23	27	18	3	15	8	12
(%) Other	18	2	9	5	4	c	7	6	10	14	9	7	10	32	8
<b>Legal activities (K74.11)</b>	58 066	1 064	14 255	2 068	8 187	57	43	18	6	105	20	470	1 480	29 427	866
(%) Legal advisory & representation	67	87	61	59	42	26	7	33	5	74	87	35	73	76	81
(%) Patent & copyright consultancy	5	1	11	0	3	20	11	2	0	6	1	57	16	2	1
(%) Notarial services	10	0	16	9	39	43	0	15	0	4	1	0	0	1	1
(%) Other	18	12	12	32	16	12	82	50	96	16	11	8	11	20	17
<b>Account., bk-keeping, audit. &amp; tax (K74.12)</b>	55 053	1 561	19 497	588	8 263	46	39	32	147	204	136	724	2 264	20 107	1 447
(%) Auditing	24	38	18	20	12	c	39	20	34	17	23	18	44	32	34
(%) Tax consultancy, including tax returns	21	12	22	43	23	14	17	20	15	9	33	9	8	20	11
(%) Accounting & bk-keeping, excl. tax ret.	21	33	36	9	21	28	24	8	40	44	4	45	26	4	36
(%) Payroll services	6	1	9	9	14	c	1	30	0	6	8	9	1	1	4
(%) Other	28	17	15	19	30	13	19	22	10	24	31	19	19	43	14
<b>Market research &amp; polling (K74.13)</b>	6 898	152	1 624	76	1 053	27	20	5	59	22	80	101	260	3 318	101
(%) Market research	89	79	94	84	89	83	79	38	78	43	36	89	89	90	95
(%) Public opinion polling	3	3	4	11	7	6	13	c	1	4	1	2	2	2	3
(%) Other	7	18	2	5	4	11	8	c	20	52	63	10	8	8	2
<b>Business &amp; mgmt consulting (K74.14)</b>	59 908	1 509	16 327	762	3 029	57	91	52	691	343	107	1 172	4 511	30 211	1 048
(%) Business org., strat. consult., fin. mgmt	21	22	38	26	38	c	63	24	14	17	15	22	23	8	29
(%) Human resources mgmt & PR	11	14	21	11	9	22	6	1	1	4	1	15	5	6	15
(%) Marketing mgmt & production mgmt	6	10	15	16	6	c	3	16	6	12	9	4	3	2	7
(%) Other	62	54	26	47	46	c	28	59	78	67	75	59	68	84	50
<b>Architecture, engineer. &amp; rel. (K74.20)</b>	113 666	5 095	31 030	2 508	14 761	121	201	55	564	1 031	472	2 800	6 651	44 025	4 352
(%) Architectural services	19	12	21	26	26	23	18	14	25	6	7	18	7	5	9
(%) Engineering design	47	45	58	43	30	c	30	8	32	27	50	63	44	c	39
(%) Project management services	8	10	7	3	16	9	30	7	5	10	1	1	4	7	9
(%) Construction	3	0	0	6	1	4	3	47	4	13	24	2	13	13	9
(%) Other	22	33	14	22	27	c	19	23	34	44	18	17	32	c	34
<b>Technical testing &amp; analysis (K74.30)</b>	12 763	321	4 491	107	2 512	32	29	6	64	48	37	285	602	3 529	701
(%) Testing & analysis of phys. properties	10	4	11	24	11	c	13	0	2	6	7	2	6	4	4
(%) Technical automobile inspection	17	0	16	2	17	18	27	c	5	16	12	67	27	c	0
(%) Other technical testing & analysis	65	86	66	68	64	c	49	c	68	35	67	19	63	c	71
(%) Architectural & engineering services	3	6	2	3	6	c	3	7	1	11	2	1	3	8	3
(%) Other	6	4	5	3	3	c	7	c	25	31	11	11	1	50	22
<b>Advertising (K74.40)</b>	71 034	2 183	16 431	1 879	15 190	161	208	26	575	242	203	1 330	4 484	26 345	1 779
(%) Sale or leasing advert. space or time	45	33	20	46	55	36	34	33	32	40	34	42	50	55	64
(%) Planning, creating & placement	42	44	62	44	42	54	52	50	50	43	59	34	29	34	26
(%) Other	12	23	18	9	3	11	14	17	18	17	7	24	22	11	10
<b>Labour recruit. &amp; personnel (K74.50)</b>	52 177	731	9 792	54	3 728	7	9	14	57	75	24	558	1 354	34 832	943
(%) Placement of personnel	10	12	3	38	7	76	60	c	46	7	22	3	6	12	4
(%) Supply of industr./manuf. personnel	24	21	37	1	36	7	19	0	6	40	49	17	18	19	24
(%) Supply of other personnel	61	65	57	50	56	11	11	c	25	51	27	75	74	62	67
(%) Other	5	2	3	11	1	6	10	6	24	2	3	6	1	6	4

Note: "c" confidential. Countries with confidential data not included in the country-total for some products.

Source: Eurostat (SBS – Business Services)

Software services generated 42% of the EUR 189.1 billion total turnover in Computer services. Proportionally, this product contributed most to the sector's turnover in Greece (62%) and least in Slovenia (27%). It is interesting to note that the main type of product marketed by Advertising was the Sale or leasing of advertising space or time. This product may involve high turnover with little labour input

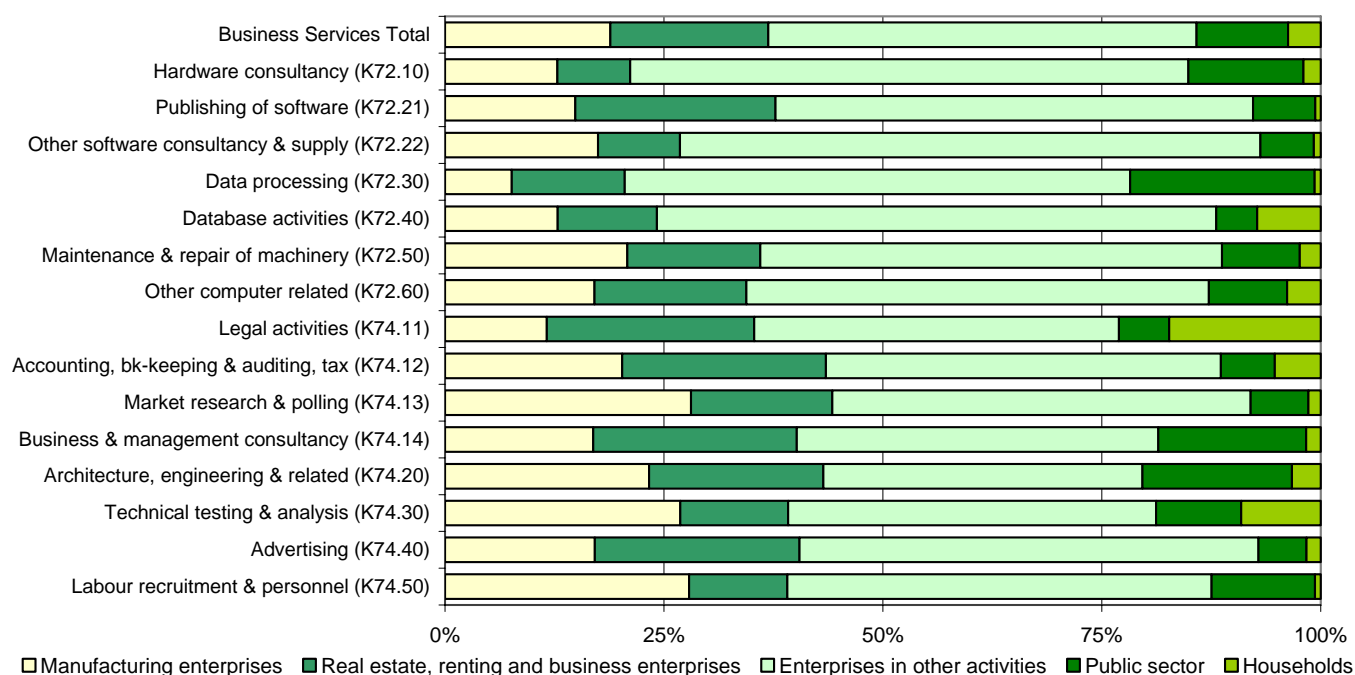
(see p. 3). In Labour recruitment, Supply of personnel clearly generated most turnover. Markets for the Supply of industrial personnel (24% of activity total on average) were particularly strong in Slovakia, Slovenia, Germany and Spain. Only in Latvia and Lithuania was the Placement of personnel ('head-hunting') the most important product of that activity.

## Main clients

Business services are mainly supplied to other enterprises, where they often enter complex production processes. The distribution of turnover by type of client is detailed in Figure 5, as an average of the 15 countries for which data are available. In 2004, 86% of total business service turnover was generated by services supplied to enterprises, 10% to the Public sector and 4% to Households. Of the business services sold to enterprises, 19% of the total were sold to clients in Manufacturing (NACE D) and 18% to Real estate, renting and business clients (NACE K, including business services themselves). More than a quarter of Labour recruitment and provision of personnel services, Technical testing and analysis,

and Market research and polling were sold to manufacturing clients. Real estate, renting and business enterprises (NACE K) were the outlet of nearly a quarter of the business services produced by Legal activities, Advertising, Accounting, book-keeping, auditing and tax consultancy, Business and management consultancy, as well as Publishing of software (K72.21). Enterprises in other activities than those mentioned above were particularly important for the component activities of Computer services, whose products are evidently in economy-wide demand. They made up between a half and two thirds of their clientele.

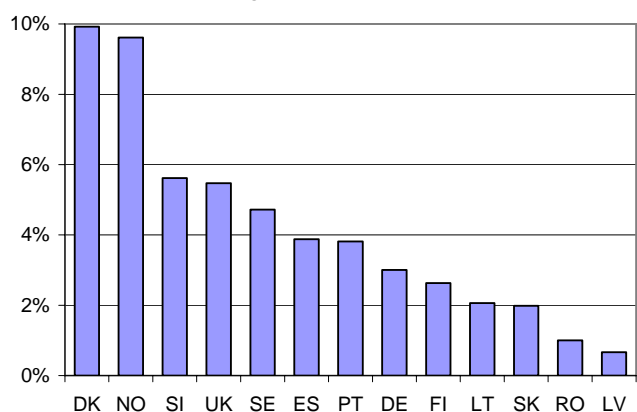
Figure 5: Business services turnover, by type of client, average of available countries\*, 2004 (%)



\* DK, DE, EL, ES, LV, LT, MT, PT, RO, SI, SK, FI, SE, UK & NO

Source: Eurostat (SBS – Business Services)

Figure 6: Business services: payments from manufacturing clients, as a share of total operating expenditure in manufacturing, 2004 (%)



Source: Eurostat (SBS – Business Services)

The Manufacturing sector's increased degree of outsourcing has made it into an important client of business services. Providing an indication of the extent of outsourcing, Figure 6 depicts the ratio of manufacturing enterprises' payments for business services as a share of their total operating expenditure (Personnel costs + Total purchases of goods and services) in a number of countries.

Approaching 10%, the ratio was particularly high in Denmark and Norway. In the majority of countries, the ratio ranged between 2% and 6%. At close to 2% or below, the ratio displayed by Latvia, Romania, Slovakia and Lithuania suggests that manufacturing outsourcing is at present not very widespread in those countries.

## Exports

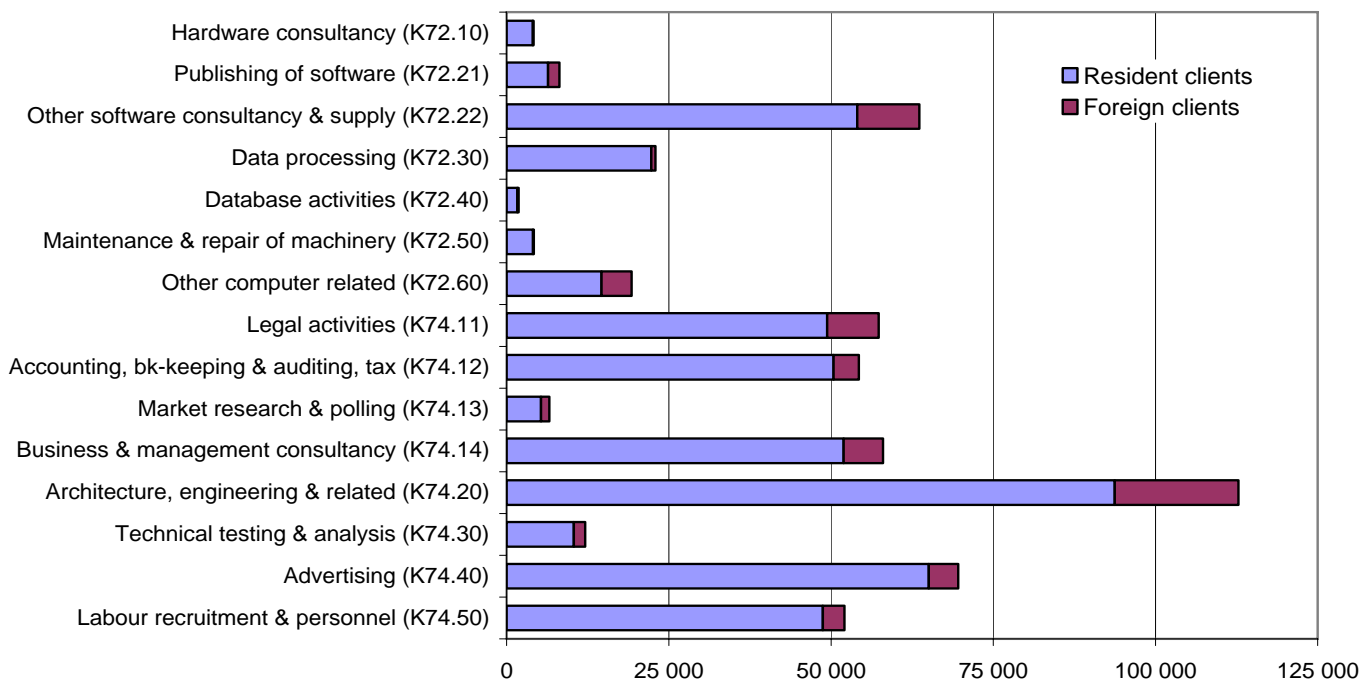
The International Trade in Services Manual (UN, 2002) lists four main modes of supply of international services: cross-border supply, consumption abroad, commercial presence (affiliates abroad) and presence of natural persons abroad. The Business service development project provides data detailing the markets into which business services are sold, with exports of business services defined here as being that part of turnover which is sold abroad.

In 2004, total business service turnover of EUR 546.9 billion was produced in the 14 countries for

which data are available, of which 11.9% were exported in close-to-equal shares intra- and extra-EU.

The United Kingdom stood in first position with exports of business services amounting to EUR 29.4 billion followed by Germany (EUR 16.2 bn) and Denmark (EUR 5.9 bn). The latter Member State exported the largest proportion of its business services (30.7% of total turnover), followed by Slovakia (17.9%) and Latvia (16.2%). Greece (4.0%), Finland (7.6%) and Spain (8.0%) exported the lowest shares of their business service turnover.

Figure 7: Business services turnover, domestic and exported, average of available countries\*, 2004 (EUR million)



Note: \* DK, DE, EL, ES, LV, LT, MT, RO, SI, SK, FI, SE, UK & NO. As Romania was not yet a Member State in 2004, it here forms part of extra-EU.

Source: Eurostat (SBS – Business Services)

The activities with the highest foreign turnover were Architecture and engineering activities (EUR 19.1 billion), Other software consultancy and supply (EUR 9.6 bn) and Legal activities (EUR 8.0 bn) (Fig. 7). The business services exporting the largest proportion of their turnover were: Other computer related activities (24.0%), Publishing of software (21.3%) and Market research and polling (19.7%).

The variations in the proportions of services exported suggest that certain products are more readily exportable. This can be explained by the fact that they are more easily transferable (eg. via internet or post), they do not require a high degree of local presence, nor in-depth knowledge of local markets, laws and habits. For detailed analysis of the Exports of business services, please see SIF 74/2007.

## Conclusion

The analysis in this publication generally confirms the positive expectations that were expressed by enterprises in 2003 concerning their future demand for services (see 'The demand for services: external but local provision', SiF 26/2006, KS-NP-06-26-EN-N). Most of the services for which demand was expected to increase are business services, strengthening this

sector's role as a driver of competitiveness within the EU economy in the coming years. Within the context of increased globalisation, international market liberalisation and further technological gains, there is a potential for the business services sector to grow further in the future.

## ➤ ESSENTIAL INFORMATION – METHODOLOGICAL NOTES

### DATA SOURCES

The source of all figures presented is Eurostat (unless specifically stated otherwise). Most data sources are continually updated and revised where necessary. This publication reflects the state of data availability in Eurostat's reference database as of April 2007.

**Structural Business Statistics (SBS)** is the main data source used in this publication. SBS annual enterprise statistics is the main data source for the first part of this publication. SBS Business Services Development Project data form the basis of the sections 'Main products', 'Main clients' and 'Exports'. The Development Project was carried out in 16 countries: Denmark (DK), Germany (DE), Greece (EL), Spain (ES), Latvia (LV), Lithuania (LT), Malta (MT), Poland (PL), Portugal (PT), Romania (RO), Slovenia (SI), Slovakia (SK), Finland (FI), Sweden (SE), the United Kingdom (UK) and Norway (NO). It covers the reference year 2004.

These and other SBS data sets are available under theme 'Industry, trade and services' on the Eurostat website:

<http://epp.eurostat.ec.europa.eu/> (select 'Data' / 'Industry, trade and services' / 'Horizontal view' / 'Structural Business Statistics').

Selected publications, data and background information are available in the section dedicated to European Business, located directly under the theme 'Industry, trade and services' on the Eurostat website, see in particular the special topic Business services:

[http://epp.eurostat.ec.europa.eu/portal/page?\\_pageid=2293\\_59872\\_848\\_2293\\_61474735&\\_dad=portal&\\_schema=PORTAL#BIZSER](http://epp.eurostat.ec.europa.eu/portal/page?_pageid=2293_59872_848_2293_61474735&_dad=portal&_schema=PORTAL#BIZSER).

**Short-Term Statistics (STS)** were used to complement SBS data with information from the turnover and employment indices of Manufacturing (NACE D), Computer and related activities (K72.00) and Other business activities (K74.00), as well as the main business service activities detailed in Figure 5.

### COUNTRIES

This publication covers the European Union, including the 27 Member States (EU-27): Belgium (BE), Bulgaria (BG), the Czech Republic (CZ), Denmark (DK), Germany (DE), Estonia (EE), Greece (EL), Spain (ES), France (FR), Ireland (IE), Italy (IT), Cyprus (CY), Latvia (LV), Lithuania (LT), Luxembourg (LU), Hungary (HU), Malta (MT), the Netherlands (NL), Austria (AT), Poland (PL), Portugal (PT), Romania (RO), Slovenia (SI), Slovakia (SK), Finland (FI), Sweden (SE) and the United Kingdom (UK). Also included is the EFTA country with data available: Norway (NO).

### EU-27

EU-27 aggregates include estimates for missing components where necessary. EU-27 aggregates from the SBS data set was supplemented by rounded estimates based on non-confidential data where necessary and appropriate. Some differences may exist between aggregates and sub-components due to rounding.

### EXCHANGE RATES

All data are presented in EUR, with national currencies converted using average exchange rates prevailing for the year in question.

### SYMBOLS

“.” not available and “c” confidential.

### SECTORS

Statistics are presented by sectors of activity according to the NACE Rev. 1.1 system of classification. Comparisons are made with Manufacturing (NACE D) and with the non-financial business economy (NACE Sections C to I and K).

### OBSERVATION UNIT

The observation unit is the enterprise. An enterprise carries out one or more activities at one or more locations. Enterprises are classified into sectors (by NACE) according to their main activity. The enterprise should not be confused with the local unit, which is an enterprise or part thereof situated in one geographically identified place.

### STRUCTURAL BUSINESS STATISTICS VARIABLES

Variables are defined according to Commission Regulation N° 2700/98 and include:

#### **Number of enterprises**

The number of enterprises active during at least part of the reference period.

#### **Number of persons employed**

The total number of persons who work in the observation unit, as well as persons who work outside the unit who belong to it and are paid by it. It includes working proprietors, unpaid family workers, part-time workers, seasonal workers etc.

#### **Value added at factor cost**

The gross income from operating activities after adjusting for operating subsidies and indirect taxes (including value added tax).

#### **Turnover**

The totals invoiced by the observation unit during the reference period. This corresponds to market sales of goods or services supplied to third parties.

#### **Apparent labour productivity**

This is a simple indicator of productivity calculated as value added divided by persons employed.

#### **Average personnel costs**

Personnel costs are the total remuneration, in cash or in kind, payable by an employer to an employee for work carried out. This is divided by the number of employees (paid workers), which includes part-time workers, seasonal workers etc, but excludes persons on long-term leave.

#### **Wage adjusted labour productivity (%)**

Value added divided by personnel costs, after the latter has been divided by the share of employees (paid workers) in the number of total persons employed. It can also be calculated by dividing apparent labour productivity by average personnel costs.

#### **Gross operating surplus**

The gross operating surplus is the surplus generated by operating activities after the labour factor input has been recompensed. It can be calculated from the value-added at factor cost less the personnel costs.

#### **Gross operating rate (%)**

This is an indicator of profitability where the gross operating surplus is related to the turnover generated.

## ***Further information:***

**Data:**

[EUROSTAT Website/Home page/Industry, trade and services/European Business/Special topics/Business services](#)

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