

## Main features of EU-27 Business services

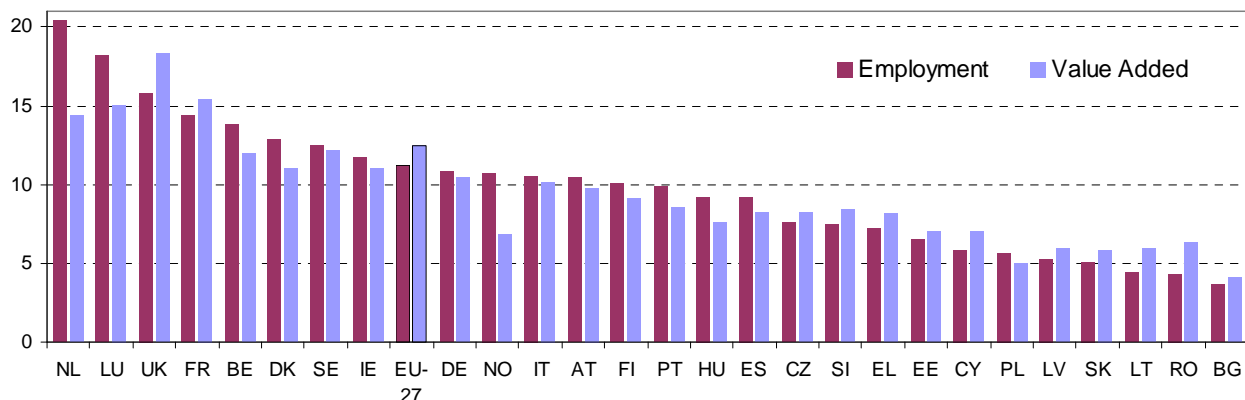
### Overview

Business services<sup>1</sup> are drivers of the EU-27 knowledge-based economy. Boosted by the European Services Directive<sup>2</sup>, they face strong outsourcing and export demand, and thrive with the new production possibilities offered by innovations in information and telecommunications technology.

The provision of Business services was the main activity of 3.2 million EU-27 enterprises in 2005, which generated turnover of EUR 1 292 billion. There were 14.2 million persons employed in

providing Business services, accounting for 11.2 % of the non-financial business economy total (NACE C to I and K) and 18.7 % of Services (NACE G, H, I and K). Business services created value added of EUR 665.8 billion, equivalent to 12.4 % of the non-financial business economy and to 22.3 % of Services. Legal, accounting and management services (NACE K74.1) was the largest subsector in Business services, making up 48 % of enterprises, 38 % of value added and 34 % of persons employed.

Figure 1 Specialisation in Business services (NACE K72 and K74.1 to K74.5), 2005  
 % of the non-financial business economy (NACE C to I and K)



CZ 2004, IE 2004 excl. NACE E, CY NACE K excl. K73, NL NACE E value added estimated, MT not available.

Source: Eurostat (SBS - Annual)

Looking at Business services' contribution to the non-financial business economies of the Member States and Norway (Figure 1), the most specialised in terms of employment were the Netherlands (20.5 %), Luxembourg (18.2 %) and the United Kingdom (15.8 %). All of these countries have strongly developed markets in Labour recruitment (NACE K74.5). As personnel hired by employment agencies – providing temporary labour to other economic sectors – are

counted in their employment, this contributes to higher labour-intensity ratios in Business services. Bulgaria (3.6 %), Romania (4.3 %) and Lithuania (4.4 %) were the least specialised in terms of Business services employment. Business services contributed most to the value added of the non-financial business economy in the United Kingdom (18.3 %), France (15.5 %) and Luxembourg (15.0 %). This share was lowest in Bulgaria (4.1 %), Poland (5.0 %) and Slovakia (5.8 %).

<sup>1</sup>: Business services (NACE K72 and K74.1 to K74.5) include: Computer and related activities (K72.0), Legal, accounting, bookkeeping and auditing activities, tax consultancy, holdings (K74.1) (including the Management activities of holding companies (K74.15)), Architectural and engineering activities and related technical consultancy (K74.2), Technical testing and analysis (K74.3), Advertising (K74.4), and Labour recruitment and provision of personnel (K74.5).

<sup>2</sup>: Directive on Services in the Internal Market of the European Parliament and of the Council, 2006/123/EC, 12 December 2006

## Main indicators

Table 1 Business services (NACE K72 and K74.1 to K74.5), EU-27(1) and Norway: main indicators, 2005

	Number of enterprises	Turnover	Value added	Persons employed	Apparent labour productivity	Average personnel cost	Wage adjusted labour productivity	Gross operating rate
	thousand	EUR million	EUR million	thousand	EUR thousand	EUR thousand	%	%
<b>EU-27</b>	<b>3 214</b>	<b>1 291 771</b>	<b>665 781</b>	<b>14 239</b>	<b>46.8</b>	<b>35.8</b>	<b>131</b>	<b>17.5*</b>
<b>BE</b>	74	43 864	17 258	333	51.9	45.4	114	13.0
<b>BG</b>	19	1 357	405	66	6.2	4.3	144	15.1
<b>CZ*</b>	156	11 033	4 321	272	15.9	13.6	117	19.7
<b>DK</b>	31	24 546	12 117	220	55.1	42.0	131	14.7
<b>DE</b>	310	203 297	112 489	2 241	50.2	38.0	132	19.5
<b>EE</b>	6	894	408	26	15.8	11.0	144	16.4
<b>IE*</b>	18	18 466	8 527	113	75.2	40.9	184	24.7
<b>EL</b>	110	13 206	5 239	180	29.1	29.5	98	17.6
<b>ES</b>	315	82 436	40 971	1 231	33.3	26.6	125	18.9
<b>FR</b>	365	240 206	117 650	2 070	56.8	48.1	118	9.7
<b>IT</b>	656	125 247	60 206	1 579	38.1	32.4	118	26.1
<b>CY</b>	2	727	488	12	39.4	29.3	134	25.2
<b>LV</b>	7	945	403	33	12.2	6.4	192	22.7
<b>LT</b>	8	1 113	493	38	12.8	7.3	177	22.7
<b>LU</b>	5	3 775	1 963	37	52.5	42.0	125	13.2
<b>HU</b>	105	10 657	3 052	232	13.2	12.2	108	11.0
<b>NL</b>	105	76 643	34 824	958	36.4	30.3	120	11.2
<b>AT</b>	54	25 163	12 625	247	51.2	41.9	122	14.3
<b>PL</b>	157	16 084	6 130	432	14.2	9.7	146	22.9
<b>PT</b>	127	14 279	5 873	325	18.1	13.8	131	11.3
<b>RO</b>	51	4 355	1 772	173	10.2	4.5	225	23.4
<b>SI</b>	15	3 939	1 213	43	28.3	27.3	103	6.8
<b>SK</b>	6	2 124	878	48	18.4	11.6	159	15.9
<b>FI</b>	27	13 209	6 899	123	55.9	44.8	125	12.9
<b>SE</b>	136	39 476	18 175	329	55.2	53.0	104	8.4
<b>UK</b>	353	305 145	187 109	2 858	65.5	40.2	163	27.1
<b>NO</b>	37	19 611	10 152	138	73.6	59.5	124	13.7

\* 2004; (1) MT not available.

Source: Eurostat (SBS - Annual)

The Member States with the largest number of enterprises having Business services as their main activity in 2005 were Italy (656 thousand) and France (365 thousand) (Table 1). The United Kingdom's Business services produced the most turnover (EUR 305.1 billion) followed by France (EUR 240.2 billion). Business services generated EUR 187.1 billion value added in the United Kingdom, or 28 % of the EU-27 total. In second place, France's value added amounted to EUR 117.6 billion (18 %). In terms of employment the main actor was also the United Kingdom, with 2.9 million persons employed in providing Business services, followed by Germany with 2.2 million persons employed.

Five Member States – Germany, Spain, France, Italy and the United Kingdom – together made up major shares of the EU-27 Business services sector, accounting for 62 % of the number of enterprises, 74 % of turnover and 78 % of value

added. The latter is four percentage points above those Member States' joint 74 % share of value added in the EU-27 non-financial business economy. The five Member States accounted for 70 % of persons employed in Business services, compared to a 64 % share of the EU-27 non-financial business economy.

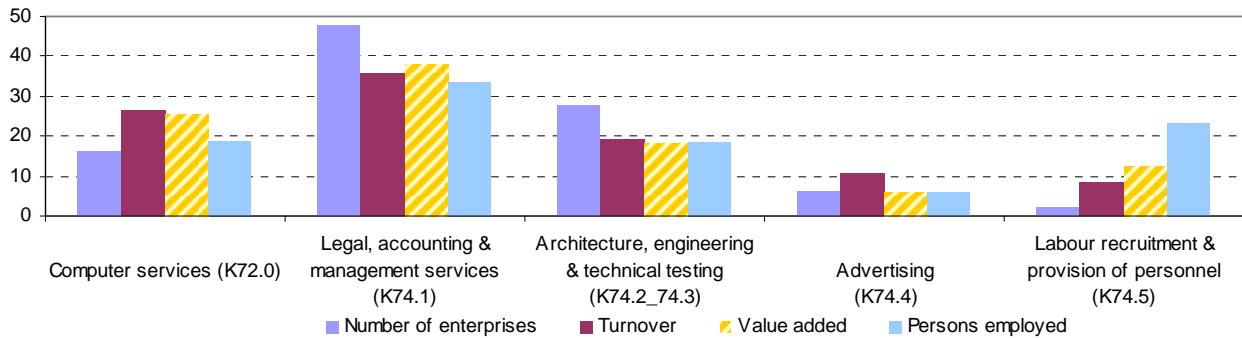
The cost, productivity and profitability indicators of Business services in the EU-27 and Norway are presented in Table 1. They are analysed in the dedicated section on page 4.

Business services are numerous, and they vary in their traditions, work methods, the average size of their enterprises, as well as the markets they serve<sup>3</sup>. Figure 2 shows the five main subsectors' percentage shares in EU-27 Business services total, detailing their economic profiles in terms of four main indicators: the number of enterprises, turnover, value added and employment.

<sup>3</sup>: Please see: Statistics in Focus 76/2007 "[EU-27 business services: thriving in the wake of outsourcing and liberalisation](#)"

## Subsectors

Figure 2 Subsector contributions to Business services total: number of enterprises, turnover, value added and number of persons employed, EU-27, 2005 (%)



Source: Eurostat (SBS - Annual)

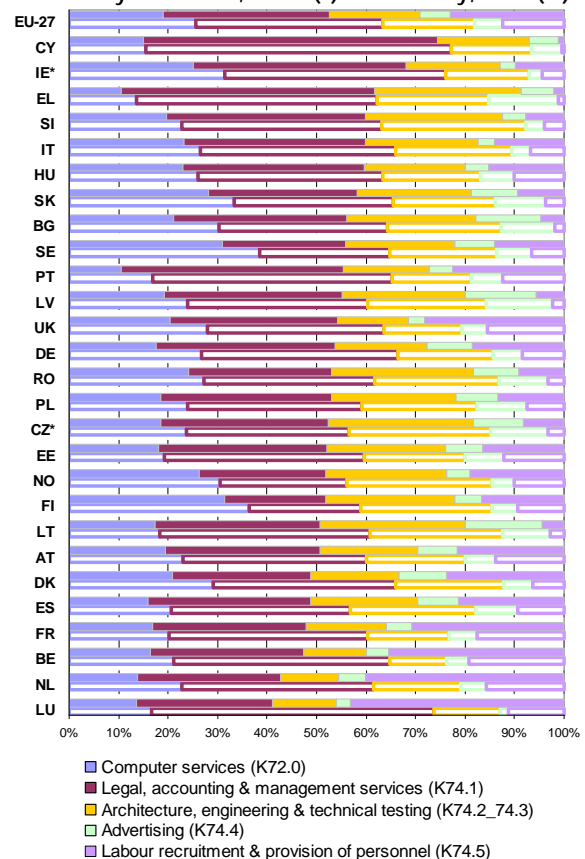
Legal, accounting and management services (NACE K74.1) and Architecture, engineering and technical testing (NACE K74.2 and 74.3) displayed similar economic profiles with higher shares of the total number of enterprises than of persons employed. These two subsectors accounted for three quarters (75.4 %) of the number of enterprises active in Business services but only half (52.0 %) of the number of persons employed. These relative proportions suggest that these sectors are dominated by smaller enterprises employing fewer persons than the average in Business services. Computer services (NACE K72) contributed fewer enterprises (16.2 %) than persons employed (19.0 %), pointing at larger enterprises in that subsector.

Labour recruitment (NACE 74.5) accounted for only 2.1 % of the number of enterprises active in Business services but 23.0 % of persons employed. Unlike the other subsectors, Labour recruitment's share of persons employed in Business services was also higher than its share of total value added. The subsector's lower apparent labour productivity reflects the fact that the average wages of temporary workers tend to be lower, as often is their qualification profile. Enterprises pay the employment agencies a fee or commission on the top of the wages for temporary workers. The sector's value added creation is based on these fees and commissions.

Computer services and Legal, accounting and management services contributed larger shares to Business services value added than to the number of persons employed, indicating higher apparent labour productivity. This is explained by the subsectors' employing highly qualified and specialised personnel. Advertising (NACE 74.4) had a higher share of turnover than it had persons employed proportionally, reflecting the fact that an important part of this activity is the buying and reselling of advertising space and time.

In Figure 3, the distribution of employment and value added by subsector of Business services in the EU-27 and Norway shows the subsectors' relative proportions to be close to those observed at EU-27 aggregate level. A closer analysis reveals differences reflecting country specialisations in the subsectors. Computer services' share in both Business services value added and employment was highest in Finland, Sweden and Slovakia. Legal, accounting and management services contributed most to Business services value added

Figure 3 Persons employed (upper bar) and value added (lower bar) in Business services: distribution by subsector, EU-27(1) and Norway, 2005 (%)



\* 2004; (1) MT not available.

Source: Eurostat (SBS - Annual)

in Cyprus (62 %), Luxembourg (57 %) and Greece (49 %). While Cyprus (59 %) and Greece (51 %) had the highest shares of persons employed, the share was lower in Luxembourg (27 %) where the subsector's employment may be in larger part accounted for Labour recruitment.

Architecture, engineering and technical testing<sup>4</sup> contributed most to Business services value added in Norway, Slovenia and the Czech Republic (all three: 29 %), the highest shares of employment in total being displayed by Greece (30 %), Lithuania (29 %) and the Czech Republic (29 %). Advertising contributed most to Business services value added in Greece (14 %), Latvia

(13 %) and the Czech Republic (11 %), and most to the number of persons employed in Lithuania (15 %), Latvia (14 %) and Bulgaria (13 %).

Developed markets in Labour recruitment in the Benelux countries made for high proportional contributions by the subsector to the number of persons employed in Business services. Luxembourg (43 %), the Netherlands (40 %) and Belgium (36 %) were followed by France (31 %) and the United Kingdom (28 %). The five Member States were the most specialised in Business services in terms of the sector's contribution to the number of persons employed in the non-financial business economy.

## Costs, productivity, profitability

Table 2 Business services (NACE K72 and K74.1 to K74.5) cost, productivity and profitability indicators EU-27, 2005

	Apparent labour productivity	Average personnel costs	Wage adjusted labour productivity	Gross operating rate*
	EUR thousand	EUR thousand	%	%
<b>Non-financial business economy (C to I and K)</b>	<b>42.3</b>	<b>28.9</b>	<b>147</b>	<b>11.0</b>
<b>Business services (K72.0 and K74.1 to K74.5)</b>	<b>46.8</b>	<b>35.8</b>	<b>131</b>	<b>17.5</b>
Computer services (K72.0)	62.0	49.3	130	16.0
Legal, accounting and management services (K74.1)	52.7	40.6	130	23.2
Architecture, engineering and technical testing (K74.2_74.3)	46.9	38.7	121	20.2
Advertising (K74.4)	44.1	30.1	146	12.3
Labour recruitment and provision of personnel (K74.5)	25.4	21.2	120	13.4

\* 2004

Source: Eurostat (SBS - Annual)

Personnel expertise is the core marketable asset in Business services. This explains why personnel costs made up an estimated<sup>5</sup> 39 % of the total expenditure of EU-27 Business services compared to 16 % in the non-financial business economy in 2005 (data not shown). Average personnel costs were EUR 35 800 per employee in Business services, compared to EUR 28 900 on average in the non-financial business economy. These costs ranged from EUR 49 300 in Computer services to EUR 21 200 in Labour recruitment (Table 2). Average personnel costs in Business services were highest in Norway (EUR 59 500) and in Sweden (EUR 53 000), and lowest in Bulgaria (EUR 4 300) and Romania (EUR 4 500) (Table 1).

EU-27 Business services displayed apparent labour productivity of EUR 46 800 per person employed in 2005, compared to EUR 42 300 in the non-financial business economy, and it ranged from EUR 62 000 in Computer services to EUR 25 400 in Labour recruitment. The apparent labour productivity of Business services was highest in Ireland (EUR 75 200, in 2004) and lowest in Bulgaria (EUR 6 200).

Wage adjusted labour productivity (apparent labour productivity divided by average personnel costs) was 131 % in Business services, below the

non-financial business economy average of 147 %. The indicator was highest in Advertising (146 %) and lowest in Labour recruitment (120 %). The wage adjusted labour productivity of Business services was highest in Romania (225 %) and lowest in Greece (98 %).

The gross operating rate (gross operating surplus as a share of turnover) is an indicator of profitability. In 2004, it stood at 17.5 % in EU-27 Business services, compared to 11.0 % in the non-financial business economy. It was highest in Legal, accounting and management services (23.2 %) and lowest in Advertising (12.3 %) in 2005. The gross operating rate of Business services was highest in the United Kingdom (27.1 %) and lowest in Slovenia (6.8 %).

Interestingly, in the central and eastern European Member States, both average personnel costs and apparent labour productivity in Business services tended to be the lowest in the EU-27. In a significant share of those Member States however, low average personnel costs more than compensated for relatively low apparent labour productivity, such that seven ranked among the ten Member States displaying the highest wage adjusted labour productivity in EU-27 Business services in 2005.

<sup>4</sup>: Please see: Statistics in Focus 42/2008 "[Architecture, engineering and technical testing](#)"

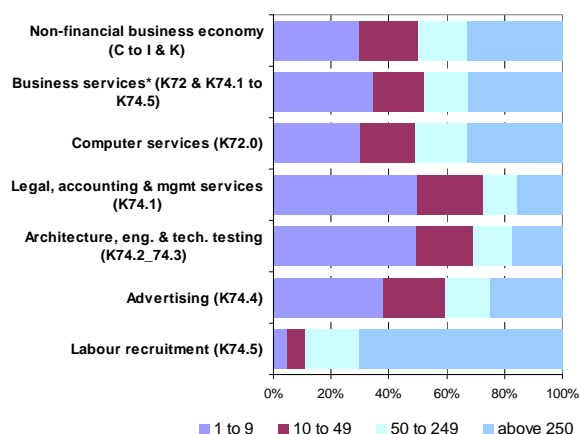
<sup>5</sup>: CZ and IE: 2004, MT not available.

## Enterprise size-class

Two thirds (67 %) of EU-27 Business services enterprises were small and medium enterprises (SMEs – employing less than 250 persons) in 2005. The sector's employment size-class distribution was similar to the non-financial business economy average yet a higher share of micro-enterprises (employing up to nine persons) was active in Business services (35 %) than in the non-financial business economy (30 %).

Computer services displayed a similar size-class distribution to that of Business services on average. Explaining their high shares of enterprises compared to persons employed (Figure 2), Legal, accounting and management services (84 %) and Architecture, engineering and technical testing (82 %) had high shares of SMEs, one half of their enterprises (50 % and 49 % respectively) being micro enterprises. In Advertising, a smaller yet significant share of enterprises (75 %) was SMEs, and 38 % of total were micro enterprises. In contrast, a majority of Labour recruitment enterprises (70 %) were large

Figure 4 EU-27 Business services and subsectors, 2005, share of employment by enterprise size-class (%)



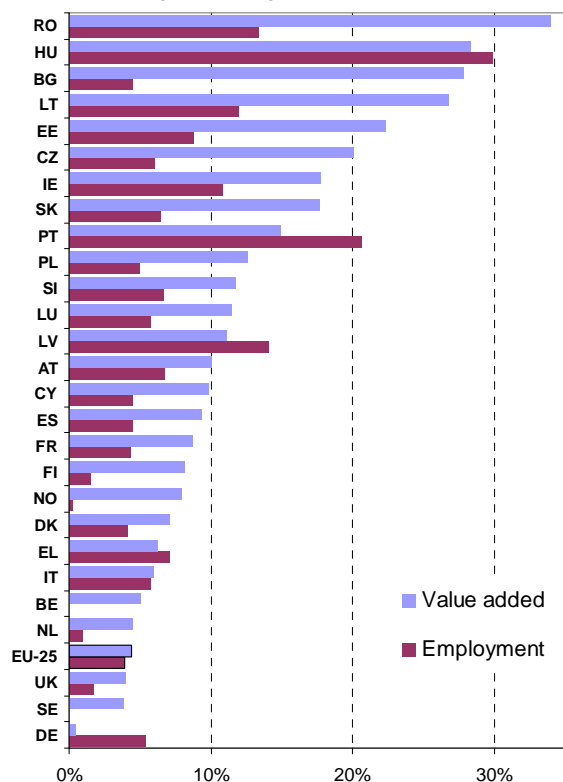
\* BE 2006, DK 2004, DE, ES, FR, IT, LV, NL, PL, RO, FI, SE 2004 & UK 2004.

Source: Eurostat (SBS - Annual)

enterprises. One must note that persons recruited for enterprises in other sectors, are counted as being employed in Labour recruitment.

## Growth trends

Figure 5 Business services, EU-25 and Norway, 2000 to 2005\* value added and employment average annual growth rate (%)



\* 2001 to 2005: EU-25 (2005 estimated based on EU-27-(BG+RO)) & LU; 2000 to 2006: CZ; 1999 to 2004: IE; 2002 to 2005: PL; 2002 to 2006: SI.

Source: Eurostat (SBS - Annual)

Figure 5 depicts the 2000-to-2005 annual average growth rates in Business services value added and employment. On average in the EU-25, both grew by 4 % yearly. In some cases (e.g. Portugal, Germany and Latvia) Business services employment grew more than value added did, perhaps reflecting labour market reforms during the first half of the 2000s and the growing importance of Labour recruitment.

Noticeably, the 15 Member States displaying the highest value added growth rates included 11 of the 12 new Member States (2004 and 2007 enlargements) together with Ireland, Portugal, Luxembourg and Austria. Most of these Member States also displayed high growth rates in Business services employment. Providing them with comparative advantage, the central and eastern European Member States' lower average costs and higher productivity appear to have been driving factors in the expansion of their Business services sector. Most of the central and eastern European Member States' covered by the Business services Pilot Project exported above-average shares of their Business services turnover in 2004 or 2005 (see below) .

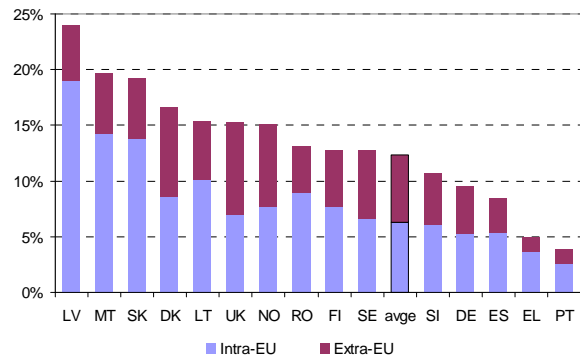
The importance of Business services in a number of the 'older' Member States was underlined in the first sections of this publication. The relatively lower 1999-to-2005 growth rates in these more mature markets reflect more strongly in the EU-25 average.

## Exports

Business services data<sup>6</sup> supplied on a voluntary basis within the framework of the Business services development projects for the years 2004 and 2005 provide, among other things, detailed insight into the exports of Business services<sup>7</sup>, which are defined as turnover with non-resident clients. Data are available for either of the two years for 15 EU-27 Member States\*, together accounting for close to 60 % of EU-27 Business services value added in 2005, as well as for Norway.

On average in the 16 countries, intra-EU exports made up 6.3 % of Business services turnover, while 6.0 % was extra-EU exports (Figure 6). The countries exporting above-average shares of Business services can be assigned to two groups. The first consists of the new EU-27 members Latvia, Malta, Slovakia, Lithuania and Romania, all of which displayed high shares of intra-EU exports. Their accession in either 2004 or 2007 is thought to have greatly facilitated access to markets in other Member

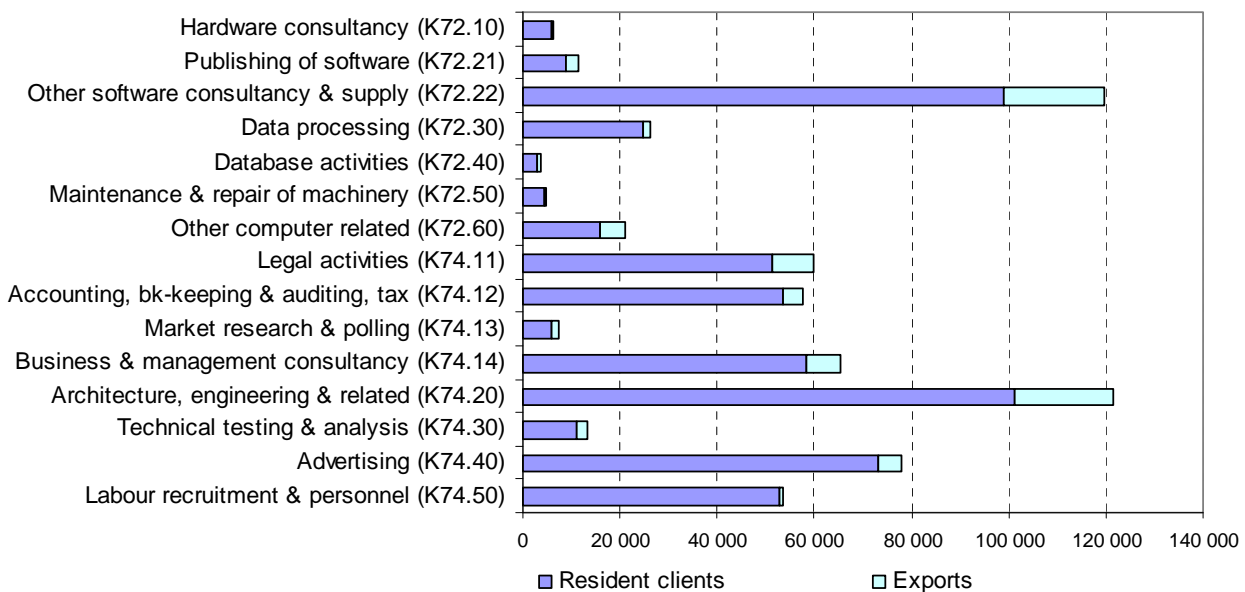
Figure 6 Business services, EU\* and Norway, 2004 and 2005, share of turnover exported intra- and extra-EU (%)



Source: Eurostat (SBS – Business Services)

States. The second group of countries also displaying high export rates includes the United Kingdom, Denmark and Norway. Among the 16 countries, these three exported the largest shares of their Business services turnover to extra-EU destinations.

Figure 7 Business services turnover, EU\* and Norway, 2004 and 2005 (EUR million)



Source: Eurostat (SBS – Business Services)

The three subsectors recording the highest turnover over the two-year period were Other software consultancy and supply, Architecture, engineering and related technical consultancy, and Legal activities (Figure 7). The Business services exporting the highest shares of their turnover were Other computer services (24 % of turnover), Publishing of software (22 %) and Market research and public opinion polling

(21 %). The most exported Business services intra-EU were Other computer services (87 % of exports), Maintenance and repair of machinery (78 %) and Advertising (73 %). The most exported Business services extra-EU were Architecture, engineering and related technical consultancy (68 %), Accounting, book-keeping and auditing, tax (57 %) and Legal activities (53 %).

\* 2004: DE, EL, LV, LT, MT, SK, FI and UK; 2005: DK, ES, PT, RO, SI, SE and NO.

<sup>6</sup>: Please note that the Management activities of holding companies, (NACE K74.15) included above under Legal, accounting and management services (NACE K74.1) are not included in this section.

<sup>7</sup>: Please see: Statistics in Focus 74/2007 "[Exports of Business Services](#)"

## ➤ 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 August 2008.

**Structural Business Statistics (SBS) Annual enterprise statistics** is the main data source used in this publication. **Annual enterprise statistics broken down by size-class** are also used. SBS Business Services Development Project data forms the basis of one section. 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 years 2004 and 2005.

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'). Please note that SBS data do not include estimates for the "black" economy. 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://ec.europa.eu/eurostat/europeanbusiness>

### 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), Ireland (IE), Greece (EL), Spain (ES), France (FR), 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-25 AND EU-27

EU-25 and EU-27 aggregates include estimates for missing components where necessary. EU-25 and EU-27 aggregates from the SBS data set were 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 (statistical classification of economic activities in the European

Community). Comparisons are made with the non-financial business economy, which consists of NACE sections: Mining and quarrying (C), Manufacturing (D), Electricity, gas and water supply (E), Construction (F), Wholesale and retail trade (G), Hotels and restaurants (H), Transport, storage and communication (I) and Real estate, renting and business activities (K).

The aggregate for Ireland and Norway excludes NACE E, and that for Cyprus excludes NACE K73 (Research and development). In the EU-27 aggregate, NACE C and E are estimated.

### 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 № 2700/98 and include:

#### **Number of enterprises**

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

#### **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.

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

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

#### **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.

#### **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.

#### **Apparent labour productivity**

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

#### **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 rate (%)**

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

## Further information




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Data: [Eurostat Website: http://ec.europa.eu/eurostat](http://ec.europa.eu/eurostat)

Select your theme on the left side of the homepage and then 'Data' from the menu.

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