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## UNSD Friends of the Chair Group

### Paper on Statistics on Enterprise Groups – the EGR potential

#### 1. Introduction

Living in an ever more globalizing economic reality, a new global dimension needs to be taken into account when providing statistics on businesses. In 2007, the G8 summit in Heiligendamm confirmed its interest to measure and analyse the effects of the whole spectrum of globalization. In this context, the OECD in 2009 presented first economic figures on multinational enterprises by country. However, no information on Enterprise groups has yet been published.

An Enterprise group (EG) is a set of legal units bound together by legal and/or financial links under the same control. An EG is controlled by its ultimate controlling institutional unit (UCI), which is an institutional unit taking global strategic decisions. The UCI definition is consistent with the definition of the Global Decision Centre (GDC) in Business Registers, which is the unit where the strategic decisions referring to an Enterprise group are taken.

If the statistics on Enterprise groups should be collected, the current approach needs to be changed, in particular when the different truncated (national) parts of the same Enterprise group active in different EU Member States are treated as autonomous enterprises, even though they build a single enterprise/Enterprise group. To enable collecting statistics on Enterprise groups, consolidated information that was previously not available is needed.

This would also mean that indicators such as turnover, production value and purchases of goods and services need to be consolidated at the EU level, cancelling out all the intra-EU intra-enterprise transactions (sales and purchases), mean all transactions between truncated enterprises of the same global enterprise need to be consolidated. One of the approaches would be to collect this information from the same units that are addressed for the outward FATS data collection (top-down approach) by profiling the enterprise groups.

Profiling is a method to analyse the legal, operational and accounting structure of an Enterprise group at national and world level, in order to establish the statistical units within that group, their links, and the most efficient structures for the collection of statistical data.

## **2. EGR and its role in measuring the Enterprise groups**

To manage the information gathered on the Enterprise groups in a global way, the EuroGroups register (EGR) project has been developed. The EuroGroups Register is the statistical register of the European Communities on multinational enterprise groups, its constituent statistical units, relations and characteristics. The EGR register covers the units of the most influential groups in the EU and EFTA countries to create a harmonized frame for European statistics on multinational enterprise groups. One of the main objectives of the EGR is to support compilers of statistics by providing access to an integrated and up-to-date delineation of multinational enterprise groups (MNEs) structures. The EGR will provide the infrastructure for keeping information on the operational structure of MNEs and the structures for the collection of data in the future.

So far, EGR has produced four yearly cycles up to 2013 since reference year 2008. During these four cycles the EGR has expanded its coverage from the 5,000 most important multinational enterprise groups in Europe to more than 10,000. While the EGR is increasingly used for internal statistical purposes, its potential to disseminate information to external users is yet to be developed.

The EGR reports 116 characteristics in total. Up to the EGR frame for the reference year 2011, the total amount of the units included counts the 10,000 most important multinational enterprise groups that have at least one legal unit in the EU. Besides information about the enterprise groups, the EGR covers also information of the constituent legal units. Every enterprise group, its enterprises and legal units are described by a set of characteristics. In addition indicators based on the information in the EGR are introduced to stratify Enterprise groups for the processing of profiling. The list of available variables covers the following topics:

### *Demographic Variables:*

- Date of incorporation and liquidation, activity status of the unit and its relations
- Date of commencement and cessation of the enterprise
- Date of incorporation and liquidation
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### *Economic variables*

- Main activity code (NACE), number of persons employed
- Main activity code (NACE), consolidated employment and turnover of the enterprise
- Main activity code (NACE), consolidated employment and turnover of the group, indicator of diversification of activity

### *Control and ownership characteristics*

- Information of the parent company, direct percentage of an ownership relation,

- Indicator that gives information of the kind of control, the position of the legal unit in the tree structure of the legal unit
- Number of legal units, information on the global decision center and the reporting unit of the group

*Further stratification, geographical or other variables*

- Legal form, type of legal unit, country code of the legal unit, country code of the global group head and global decision centre
- Country code of the enterprise, country code of the global decision centre
- Country code of the global group head, country code of the global decision centre, country code of the reporting unit, indicator of geographical influence, profiling indicator

Having available all the characteristics, a number of different indicators could be derived, such as:

The *indicator of diversification of activity* outlines the complexity of a group relating to different activities within a group. The indicator takes into account the main three NACE codes of the affiliates in EU and EFTA Member States of a group weighted by their number of employees.

The *indicator of geographical influence* in Europe is measured by the number of countries where the Enterprise group is acting and the number/share of employees working outside the country of the UCI/GDC. Small influence implies that a group is not very much spread in several countries and performs the majority of its activity in the country of the UCI/GDC, while high geographical influence indicates that a group performs a large part of its activity outside the country of the UCI/GDC and is acting in a lot of countries.

The *profiling indicator* indicates if Enterprise groups should be profiled intensive, light or with automatic procedures based on the information if a group is large and geographically diversified, medium large and reasonably diversified or small and/or not diversified. The indicator gives indirectly an idea of the size of the group.

### **3. Potential products of the EGR**

For the moment, results from the EuroGroups Register are not open for public or even for a wider internal audience as it is important to safeguard statistical confidentiality.

A first list of potential EGR outputs can be provided for the dissemination of descriptive results of the EGR. The ideas are basically divided into:

(A) public EGR products for all interested users inside and outside the EGR network

(B) internal EGR products that address in particular the Business register network or internal statisticians.

While EGR information disseminated internally shall refer to figures documenting quality aspects and their development, EGR information disseminated externally could in principle distinguish three dimensions:

(a) The economic impact of globalization in EU countries

To analyse the corresponding impact of globalisation in each of the EU and EFTA Member States, the development of economic figures in each country can be considered in comparison to the development of these figures in total.

Table 1 show indicators for globalization impact in EU countries that can be calculated on the basis of the EGR and the BR annual inquiry. The first two columns indicate the economic structure of a country concerning globalization. Enterprises which are part of a multinational Enterprise group (MNE) are referred to all enterprises in a country. Column (3) and (4) show shares of employed persons in MNE in relation to all employed persons in the corresponding country. The last two columns contain growth rates of employment, column (5) only for MNE, column (6) compared to the total growth rate in the corresponding country. The latter rates indicate if the globalization process in a country is on-going.

To assess and value the globalization process figures in columns (5) and (6) should be calculated for all or even domestic controlled Enterprise groups and for foreign controlled Enterprise groups separately. In addition all figures in columns (3) till (6) could be calculated for turnover as well. Great differences between results for employment and turnover could imply differences in financial attractiveness and attractive employment conditions between the countries.

**Table 1: Impact of globalization in EU countries**

	(1)	(2)	(3)	(4)	(5)	(6)
	Percentage of enterprises in multinational enterprise groups	Percentage of foreign controlled enterprises in multinational enterprise groups	Share of employment in enterprises belonging to a multinational enterprise group	Share of employment in enterprises belonging to an enterprise group under foreign control	Growth rate of employment in enterprises belonging to a multinational enterprise group	Growth rate of employment in enterprises belonging to a multinational enterprise group compared to total growth rate
EU country 1						
...						
EU country 27						
EFTA						
In total						

(b) The global economic impact of European multinational enterprise groups

The EGR contains information that allows measuring the economic influence of multinational enterprise groups with the UCI/GDC in an EU country compared to the influence of multinational enterprise groups with at least one enterprise in Europe and a the UCI/GDC outside of Europe. Table 2 includes various indicators showing the development of multinational enterprise groups with the UCI/GDC inside Europe compared to the groups controlled outside of Europe.

**Table 2: Global economic impact of European enterprise groups**

	Indicators	Multinational enterprise groups with GDC in Europe	Multinational enterprise groups with GDC outside Europe
(1)	Growth rate of total employment		
(2)	Growth rate of employment in enterprises located in the EU		
(3)	Share of EU employment with regard to global employment		

(c) Globalization and diversification in EU countries

To see if the performance in Europe depends on the country of the UCI/GDC the indicators could also be calculated on country of the UCI/GDC level instead of only considering the two geographical areas inside and outside the EU. In addition the figures could also be compiled for turnover.

Columns (1) and (2) of table 3 indicate if multinational enterprise groups tend to employ persons in the country of the UCI/GDC or abroad. A large share of domestic controlled group that have only few employed persons abroad could imply attractive employment conditions in the respective country. On the other side, a large share of domestic controlled group that have most of the employed persons abroad could imply attractive employment conditions abroad. (Even the number of countries is not taken into account the latter groups could be called to be more internationalized.) The further columns contain information about the diversification of multinational enterprise groups in a respective country and the contribution of each country to the most diversified groups in the EU.

**Table 3: Globalization and diversification in EU countries**

	(1)	(2)	(3)	(4)	(5)
	Share of multinational enterprise groups with percentage of EU employment out of GDC lower than 10%	Share of multinational enterprise groups with percentage of EU employment out of GDC higher than 85%	Share of not diversified multinational enterprise groups	Share of very diversified multinational enterprise groups	Share of very diversified multinational enterprise groups compared to the very diversified groups in the EU
EU country 1					
...					
EU country 27					
EFTA					
In total					100

#### 4. Gaps of current EGR information

The currently available products of the EGR are affected by some constraints. For the moment, the EGR includes information only for the biggest multinational enterprise groups with at least one affiliate in one of the EU Member States. In addition, the quality of the results differs over the EU Member States, for example due to different time stamps.

Ideally, the population available in the EGR and the national FATS should be identical, which is not the case at the moment as the most significant shortcomings that were detected is the lack of coverage as well as some lack of quality of the information available in the EGR.