ISBN 92-828-3005-5

SIXTH REPORT

Enterprises in Europe

Data 1987-97

4

EUROPEAN COMMISSION

eurostat

THEME 4
Industry, trade and services

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Luxembourg: Office for Official Publications of the European Communities, 2001

ISBN 92-828-3005-5

Printed in France

PRINTED ON WHITE CHLORINE-FREE PAPER

Acknowledgements

This publication, financed by DG 'Enterprise', is the result of work undertaken under the responsability of Eurostat, Directorate D, unit 2 (Structural Business Statistics) headed by Mr Bernard Langevin.

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The opinions expressed are those of the individual authors, and do not necessarily reflect the position of the European Commission. Thanks also to all others who have provided comments and additional information.

CARTOGRAPHY
GISCO, Eurostat

TRANSLATION
European Commission Translation Service, Luxembourg

Eurostat and DG Enterprise gratefully acknowledge the contributions of the folllowing institutes which supplied statistics for their respective countries:

Belgium	Institut national de statistique/Nationaal Instituut voor de Statistiek (INS-NIS) Office national de sécurité sociale/Rijksdienst voor de Sociale Zekerheid (ONSS-RVSZ)
Denmark	Danmarks Statistik
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Luxembourg	Service central de la statistique et des études économiques (STATEC)
Netherlands	Centraal Bureau voor de Statistiek (CBS)
Austria	Österreichisches Statistisches Zentralamt (ÖSTAT)
Portugal	Instituto Nacional de Estatística (INE)
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Foreword

A society's vitality depends to a great extent on the liveliness of its economy, of the network of businesses, in particular small and medium-sized, of which it consists, and on the initiative of new entrepreneurs. In this era of globalisation, information technology and new forms of economic cooperation, this vitality is a crucial bridge to the new world which is taking shape. In the non-agricultural market sector, the economic fabric of the European Union can boast 18.4 million small and medium-sized enterprises accounting for 74 million jobs and a total turnover of ECU 9 400 billion. These small and medium-sized enterprises thus account, in the non-agricultural market economy, for 99.8 % of the population of enterprises in the EU, 66 % of total employment and around 55 % of total turnover. This tally grows each year by around 1.6 million new firms — a renewal rate of almost 9 % of the total enterprises population. The economic fabric of the European Union is thus truly dynamic.

To help firms in general, and small and medium-sized ones in particular, to maintain and develop this vitality, the Third Multi-annual Program for SMEs in the European Union (1997-2000), as well as the multi-annual Programme for Entreprise and Entrepeneurship (2001-2005), which constitute the main thrust of the action the European Commission is taking in this area, clearly describe the priorities set by the SME policy. The Integrated Programme for SMEs aims to establish and strengthen cooperation between all those involved in the development of SMEs in the European Union.

The implementation and follow up of the European policy for small and medium-sized enterprises relies on the development of the European Statistical System at Eurostat. This European Statistical System on businesses enables the life of enterprises and local units at national and regional level to be monitored and their demography to be better understood. It is an incomparable policy guidance tool which improves each year as a result of the progress achieved in the coverage, harmonisation and freshness of data. A big step forward is — in this context — the adoption of the Regulation 58/97 on Structural Business Statistics and its successive implementation which will lead to more timely data.

This publication, the sixth in the 'Enterprises in Europe' series, is the primary medium for disseminating and exploiting this information base. It aims to identify the key events that have affected business life over the past few years and pays special heed to the main themes of the Commission's SME programme. The thematic section of the publication thus contains chapters on SME access to innovation and finance, and other chapters on the wider challenges of employment, regional development and on the situation of enterprises in the countries having applied for accession to the EU.

This publication is thus intended as an information and decision-making tool not only for the political decision-makers in the European Union, its Member States and its regions, but also for heads of companies, in particular those running the small and medium-sized enterprises to which it is entirely devoted. We hope that it will be a useful instrument for them and will help to build a lively internal market in which economic competition takes place on a level playing field.

Yves Franchet
Director-general
Eurostat

Introduction

Introduction

Many of the trends in today's economy run towards a renewal of the production organization and its players: outsourcing, sub-contracting, the development of business networks and forms of cooperation etc. The accelerating pace of innovation, notably in information technology and communications, means that established positions are being challenged, and imposes flexibility in reacting which can, in some respects, favour small and medium-sized enterprises in competition and foster the emergence of new players.

What can in many respects be seen as a fundamental change in the economic system can take the form of volatility in the business population, with many movements of business creation and closure, and mid-life events (growth, downsizing, mergers, etc.). In this context, the availability of complete and reliable economic data is a major asset in guiding the economy and defining strategy.

Eurostat, the National Statistical Institutes and DG 'Enterprise' have for several years been collaborating on developing such a tool for strategic monitoring. Each year sees substantial progress in the development of series, the cover and the harmonisation of the data collected within this statistical system. Since 1997 it has also benefited from the introduction of the Council Regulation (EC, Euratom), No 58/97 of 20 December 1996, concerning structural business statistics ([1]) which sought to set up a common code for the collection, compilation and transmission of Community statistics on the structure, activity, competitiveness and performance of enterprises in the EU. The system is being constructed with a view to reconciling the development of quality data and alleviating the burden on businesses, notably SMEs.

The statistical programme implementing these aims includes first bringing together all the available information in the European statistical system on SMEs, comprising data on the enterprises population, and other features including its demography and competitiveness, and secondly developing an infrastructure and statistical tools with a view to improving data coverage and comparability.

The present publication is the direct result of those efforts, and is the main channel for disseminating and exploiting the databases set up under the project. It attempts to identify the leading factors marking the life of businesses over recent years, paying particular attention to various themes which are directly concerned by the Commission's programme for SMEs.

In the framework of its actions, the Commission has adopted a definition of SMEs which takes on board quantifiable criteria relating to the number of employees (under 250), turnover and balance sheet, and also criteria related to the independence of enterprises ([2]).

In practical terms, the gathering of data requires the restriction to a single criterion, of employment, which is a compromise between users' needs and the general practice in most Member States, that practice itself being a compromise between the value of the information and the burden on business its collection represents. This report, whilst it uses the Commission definition, is thus constrained by those limits.

THE REPORT

The present report is in four main parts, which set out the information on businesses available to Eurostat in a general overview, analyses by sector and by country, and finally analyses by reference to the themes of the Commission's programme for SMEs.

Part 1 — General overview

Part 1 attempts to set out in condensed form the fundamental data on the enterprises community in the EU and its Member States: numbers, activities, and employment for the population as a whole and for different groups according to size.

Going beyond these fundamentals, this overview sets out the main conclusions of the thematic analyses by reference to the Commission's SME programme: employment, regional development, access to R&D, profitability and access to finance, etc.

([1]) OJ L 14 of 17.1.1997, p. 1.

([2]) For the full definition, see the methodological summary, p. 192.

Part 2 — Sectoral analyses

Part 2 is a vertical analysis of 34 sectors of economic activity (non-agricultural market), from the point of view of their population of enterprises, their employment and their activity.

Each sector is the subject of a one-page analysis using the same layout throughout, incorporating tables, figures and a rapid commentary on the sector's essential features in terms of enterprises population, employment and activity. Each is thus a kind of presentation of the sector in Europe, allowing rapid access to the key data on the sector.

Part 3 — Country analyses

Applying much the same principle as in Part 2, this part summarises key data on the enterprises population, employment and activities in the Union and its 15 Member States, as well as in Iceland and in Norway. Each country's situation is thus set out on a single page using the same layout throughout, and describes the main characteristics of various groups of sectors and size classes of enterprises. In contrast to Part 2, however, Part 3 consists of tables and figures only.

Part 4 — Thematic analyses — The stakes

This final part deals with a series of themes directly related to the Commission's programme for SMEs and to more general objectives of economic policy: the development of employment, the development of SMEs in the regions of the Union and in candidate countries, and SMEs' access to innovation and research and to finance.

The first of the themes covered in this part is employment, which lies at the heart of the Commission's economic policy objectives as set out in the 'White Paper on Growth, Competitiveness and Employment'.

The Madrid European Council (December 1995) stressed the essential role of SMEs in the pursuit of the White Paper's objectives. The employment chapter of this section thus attempts to explore the links between the structure of enterprises by size class and the structure of employment, in order to cast some light on their interaction.

The second thematic chapter looks at the density and vitality of the fabric of local units in the regions of Europe. It draws near an essential aspect of completing the single European market: that of economic convergence. The density of the business fabric, in particular amongst small and medium-sized enterprises, seems to be a key factor here.

The 'Third Multi-annual Programme', the multi-annual Programme for Enterprise and Entrepreneurship (2001-2005) and the 'Integrated programme for SMEs' stressed the importance of SMEs' access to research, innovation and training, in ensuring their competitiveness. The third chapter of this section attempts to evaluate the current situation of SMEs in this respect.

The fourth chapter of this section also deals with an issue mentioned in the 'Third Multi-annual Programme', the multi-annual Programme (2001-2005) and the 'Integrated programme': improving the financial environment for businesses, notably by enhancing their ability to borrow, cutting payment periods, and developing specific financial instruments. This chapter thus assesses the present situation of SMEs as regards profitability and financing.

In the fifth and the final chapter, particular attention is paid to the development of enterprises, of their activity and the corresponding employment, in the countries applying for membership of the Union. These countries accession is contingent on their making gradual progress towards a stable, market economy. Here, too, a thriving business community is essential.

THE 'SME' DATABASE

This database contains two subsets of data, setting out information on European enterprises and local units by country and by region, respectively the national and regional SME databases.

These databases bring together data from numerous sources of information to give an overview of European enterprises and local units. They permit country-by-country comparisons and also a sectoral analysis of the structure of enterprises and local units by size class.

Introduction

The entire population is covered, i.e. all units (other than agricultural) in the market sector, irrespective of size and economic activity. The sources used are, for the most part, the business registers maintained in the Member States. These registers are either statistical, developed by the NSIs, or administrative (mainly from social security and VAT).

Few economic indicators are available from such sources: employment and turnover; in some cases value added and labour costs, and very occasionally investments, total R&D expenditure, exports and imports. Comparability and sectoral breakdowns must sometimes be taken with some caution. But the figures presented here, interpreted with care, provide data worthy of interest. To facilitate analysis and improve the harmonisation of national data, Eurostat has completed certain figures when necessary to provide comparable tables for Member States and Community totals — for further details see the chapter entitled 'Methodological Summary' at the end of this publication.

The data relate mainly to reference years 1995 to 1997.

Readers should, finally, note that the data of the SME national database will now be covered by the SBS database by size class which resulted from implementation of the Council Regulation (EC, Euratom) 58/97 of 20 December 1996 concerning structural business statistics ([1]), which now constitutes the legal basis for data collection on enterprises by size class.

While being rather close to each other, the 'SME' and 'SBS' databases by size class diverge in some of their concepts and methods. It is the case, for example, for what concerns the requested variables, the content and the definition of size classes (in terms of employees in the SME database, in terms of persons employed in the SBS database) or the sectoral breakdown. Efforts for bringing these two databases closer are under way and thus direct comparison should, at this stage, be avoided.

([1]) OJ L 14 of 17.1.1997, p. 1.

Please note that this publication is mainly based on SME statistics. These statistics have been collected by Eurostat on a voluntary base up to the reference year 1997. The content of the SME database will now be covered by Structural Business Statistics ('SBS', broken down by size classes) collected on the base of the Council Regulation (EC, Euratom) No 58/97 of 20 December 1996 ([1]). Differences in statistical results may arise between these data sources, due to different methodology, different levels of harmonisation, but also due to differences in the data compilation methods themselves.

One of the most important difference is that SME size classes have been defined in using the number of employees whilst the Structural Business Statistics use persons employed (the difference between the data consists mainly of self-employed which are not covered under the employees). This causes particular problems with the breakdown of units in the lower size classes (less than 250 persons employed). The indicator 'number of enterprises' is particularly affected, also because of the use of different statistical units ([2]) — enterprises, legal units and VAT units — in SME statistics. Therefore this indicator has to be interpreted with highest caution. The largest differences between these data sources are observed for Denmark, Portugal, Finland and Sweden, in particular on services. In those countries, often different statistical/administrative registers and data sources are used for compiling SME and SBS statistics which finally lead to those divergencies of results.

Denmark, Portugal and Finland show also big differences in results between the two data sources on the indicators 'number of persons employed' and 'turnover', mainly in services activities. In the United Kingdom larger differences for the turnover for the sectors 'financial intermediation', 'other business activities' and 'other services' are observed.

For more details on methodology of both data sources, please consult the internet address:
http://forum.europa.eu.int/Public/irc/dsis/bmethods/info/
as well as the methodological information in the New Cronos database.

([1]) OJ L 14 of 17.1.1997, p. 1.

([2]) Council Regulation (EEC) No 696/93 of 15 March 1993, OJ L 76 of 30.3.93.

General overview 1

SMEs play an essential role in the economy of the European Union, accounting for nearly all enterprises, two-thirds of jobs and 50 % of the turnover in the non-agricultural market sector.

This general overview seeks to give an overview of the fundamental characteristics of this enterprises population, of its structure by size and sector of activity in the Union as a whole, and of the specific features of individual Member States. It also allows the different structures of various sectors of activity to be identified.

The development of businesses, and more specifically of local units, is at the heart of the employment question and is also a key to regional development. Furthermore, enterprises face challenges in terms of modernisation and economic efficiency. This synthesis reviews the main conclusions which can be drawn from the study of these essential challenges. Finally, with an eye to the future, it looks at the situation of enterprises in the candidate countries of Central Europe.

All the conclusions found in this general overview are developed in detail in the 'Country analysis' and 'Sectoral analysis' sections, and in the thematic chapters of this publication. For a fuller view of the facts under review the reader should refer to the relevant chapters.

In order to correctly interpret the data presented, the methodological notes for each chapter, together with the general methodology at the end of this publication, should also be consulted. On account of methodological differences, the reader would be well advised to interpret the data presented as indicative of magnitudes, and treat with due circumspection any comparison between data.

In brief ...

- In 1996 the European Union totalled some 18.4 million enterprises, employing around 112 million persons and generating turnover of ECU 17 400 thousand million.
- SMEs account for nearly all enterprises, two-thirds of all jobs and half of all turnover.
- Trade and HoReCa (short for Hotels, Restaurants and Catering) on one side, and industry and energy on the other, are the principal sectors in terms of employment.
- The weight of SMEs is greater in the southern European Member States; large enterprises are more significant in the northern Member States.
- SMEs dominate craft trade and services sectors in particular, whilst large enterprises predominate in heavy industry and certain capital-intensive services.
- Between 1995 and 1996 there was a rise in the number of enterprises and jobs in very small, small and medium-sized enterprises. The number of jobs also rose in large enterprises, though their total numbers remained more or less constant.
- There are strong disparities between the regions of the Union in terms of density of the fabric of local units of different sizes, with a further differentiation according to their sectoral specialisation.
- SMEs are globally innovative, but lag behind large enterprises even so.
- They are still at a disadvantage in terms of profitability and access to finance.

ENTERPRISES IN THE EUROPEAN UNION: STRUCTURE BY SIZE AND SECTOR

In 1996 the European Union could boast a fabric of more than 18.4 million enterprises in the non-agricultural market sector ([1]), employing almost 112 million persons — out of total employment of almost 150 million — and generating turnover of around ECU 17 400 thousand million (Table 1). The average European enterprise thus employs around six people for a turnover of a little under ECU 1 million. But there are, of course, significant disparities behind this average.

SMEs account for virtually all European enterprises, two thirds of jobs and half of turnover

This economic fabric is heavily dominated by SMEs (i.e. those with under 250 employees). They account for virtually all enterprises (99.8 %), 66.2 % of employment, and generate a little over half of all turnover (54.2 %).

One in two enterprises in the Union has no employees, and this category accounts for 10 % of persons employed (self-employed persons and family workers).

Enterprises with under ten employees account for more than 90 % of all enterprises, and a little over a third of jobs.

Employment in Europe thus falls into three more or less equally-balanced groups of enterprises: a third in enterprises with fewer than 10 employees, a third in small and medium-sized enterprises with between 10 and 249 employees, and a third in large enterprises.

Services have a dominant role in Europe's economy

Trade and HoReCa accounted for more than a third of European enterprises in 1996, and these together with industry and energy accounted for more than half of all jobs. In terms of activity, 80 % of European turnover is concentrated in these two sectors plus financial intermediation.

Services as a whole ([2]) accounted for 75 % of enterprises, 63 % of jobs and 67 % of turnover.

Large enterprises, though they remain a tiny minority, are proportionally best represented in industry and energy and in financial intermediation. They represent the majority of jobs in two sectors: financial intermediation (again) and transport and communication. It is also in financial intermediation that large enterprises concentrate the greatest share of turnover, at 66.8 %.

On the other hand, it is in the construction, trade and HoReCa, and other services sectors that enterprises with fewer than ten employees count most in employment. In these three sectors they account for almost 50 % of total employment, whilst the proportion is lowest in industry and energy (14.6 %) and financial intermediation (12.3 %).

THE SECTORS OF ACTIVITY ARE DISSIMILAR

At a finer level of detail, the size structure of the different sectors of activity reveals wide disparities between them in the European Union, with some sectors heavily dominated by SMEs in terms of employment, and others marked by the weight of large enterprises.

SME domination in craft trade and services sectors

In 1996, SMEs dominated in the employment of craft trade and services sectors (Figure 1). They accounted for more than 80 % of jobs in the clothing and leather trades, recycling, construction, sale and repair of motor vehicles, wholesale trade, hotels and restaurants, as well as in activities auxiliary to financial intermediation, real estate and renting activities and personal services. The weight of SMEs is also remarkable (exceeding 75 %) in computer activities and in recreational, cultural and sporting activities.

([1]) Excluding agriculture, forestry, fishing, public administration and non-market services (see 'Methodological summary', p. 192).

([2]) Including trade and HoReCa, transport and communication, financial intermediation, other business activities and other services. For more detail see 'Methodological summary' at the end of this publication.

Enterprises in the European Union — 1996
Structure by sector and size class (as % of the total)

Tab. 1

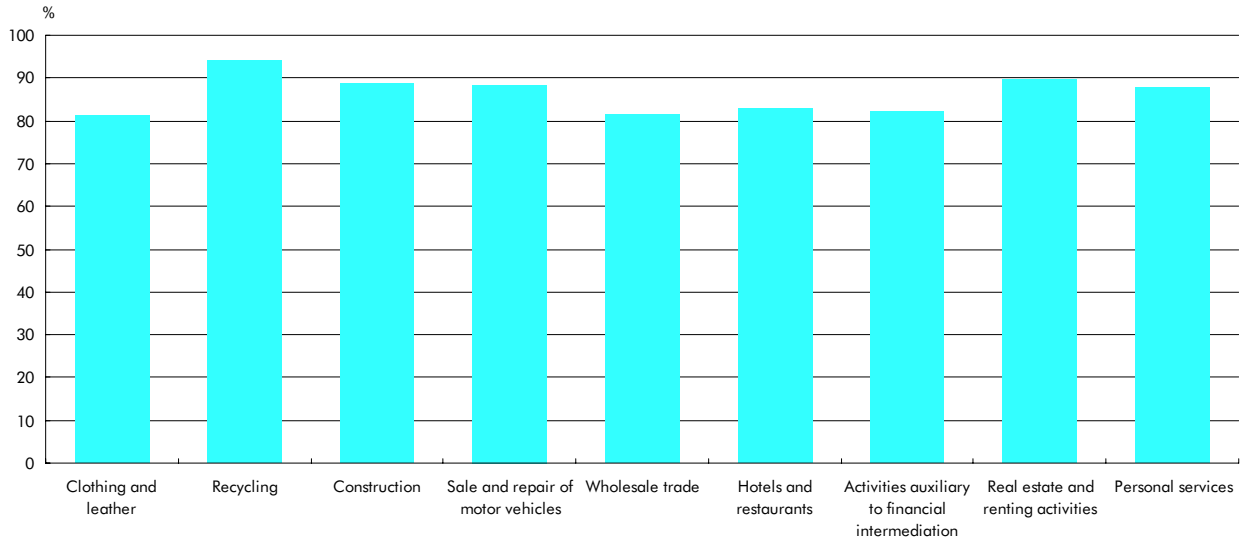
		Number of employees					
		0	1-9	10-49	50-249	250+	Total
		(in %)	(in %)	(in %)	(in %)	(in %)	in 1 000s ([1])
Industry and energy	Enterprises	34.2	47.0	14.9	3.1	0.8	2 049
	Total employment	2.4	12.2	19.9	19.4	46.1	31 210
	Turnover	1.4	5.5	13.3	20.3	59.4	4 852 948
Construction	Enterprises	54.8	38.1	6.4	0.6	0.1	2 544
	Total employment	16.1	33.2	26.9	12.4	11.3	10 139
	Turnover	7.7	25.1	29.7	19.6	17.9	898 588
Trade and HoReCa	Enterprises	46.5	48.3	4.6	0.5	0.1	6 609
	Total employment	13.0	35.1	19.7	9.3	22.9	30 215
	Turnover	5.0	25.2	24.5	19.2	26.1	5 025 487
Transport and communication	Enterprises	59.8	33.3	5.8	0.9	0.2	977
	Total employment	9.1	13.6	14.5	9.9	52.9	8 271
	Turnover	4.4	12.7	16.1	15.7	51.0	793 557
Financial intermediation	Enterprises	56.3	37.8	3.9	1.3	0.7	308
	Total employment	4.2	8.1	5.9	8.6	73.2	4 660
	Turnover	0.9	4.0	7.7	20.5	66.8	4 011 715
Other business activities	Enterprises	56.4	38.3	4.5	0.7	0.2	2 234
	Total employment	12.6	23.0	17.3	13.3	33.8	11 197
	Turnover	8.4	23.9	21.3	15.7	30.7	733 048
Other services	Enterprises	56.6	38.9	3.9	0.5	0.1	3 706
	Total employment	15.3	33.7	16.8	11.1	23.1	16 143
	Turnover	12.7	23.3	17.3	18.7	27.9	1 043 206
All aggregates	Enterprises	50.4	42.7	5.9	0.8	0.2	18 427
	Total employment	10.0	24.4	18.8	13.1	33.8	111 835
	Turnover	3.8	14.1	16.8	19.5	45.8	17 358 549

([1]) Except turnover expressed in million ecus.

Source: Eurostat — SME database.

Sectors of activity dominated by SMEs in the European Union
Share of SMEs in total employment of the sector — 1996 (%)

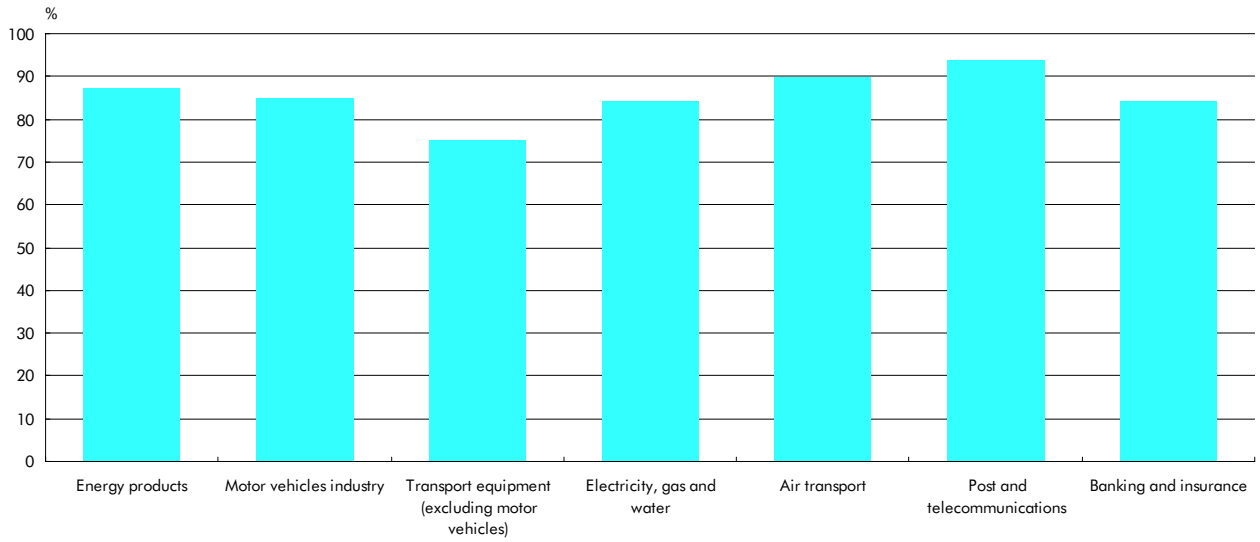
Fig. 1



Source: Eurostat — SME database.

Fig. 2

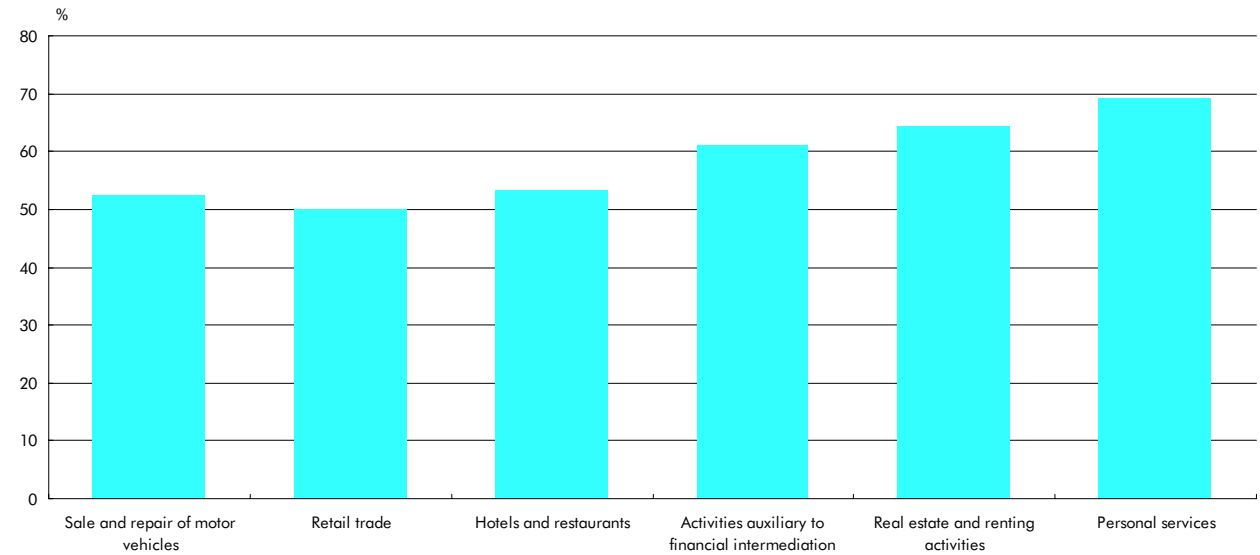
Sectors of activity dominated by large enterprises in the EU
Share of large enterprises in total employment of the sector — 1996 (%)



Source: Eurostat — SME database.

Fig. 3

Sectors of activity dominated by micro-enterprises in the European Union
Share of enterprises with less than 10 employees in total employment of the sector — 1996 (%)



Source: Eurostat — SME database.

Industry and capital-intensive services: the domain of large enterprises

Conversely, large enterprises heavily dominate sectors of heavy industry and capital-intensive services (Figure 2). Thus, they account for more than 75 % of employment in the industries of energy products (a vast group embracing extraction of solid fuels, oil, natural gas, manufacture of coke, refined petroleum products and nuclear fuel), motor vehicles and other transport equipment, in electricity, gas and water supply, as well as in the services of air transport, post and telecommunications, and banking and insurance.

Distributive trades and services: micro-enterprises count for much

Enterprises with fewer than 10 employees account for a remarkable share of several sectors which are dominated by SMEs (Figure 3). They thus account for more than 50 % of employment in sale and repair of motor vehicles, hotels and restaurants, activities auxiliary to financial intermediation, real estate and renting activities, and almost 70 % in personal services. Retail trade is also a case in point, although the weight of large enterprises is greater than in the other sectors quoted, reflecting the bipolar structure (hypermarkets and corner shops) of this activity.

ECONOMIC STRUCTURES DIFFERENTIATED ACROSS MEMBER STATES

Economic structures vary quite widely amongst the Member States of the European Union, sometimes corresponding to geographical sets.

Large enterprises important in northern Europe and small dominant in the south

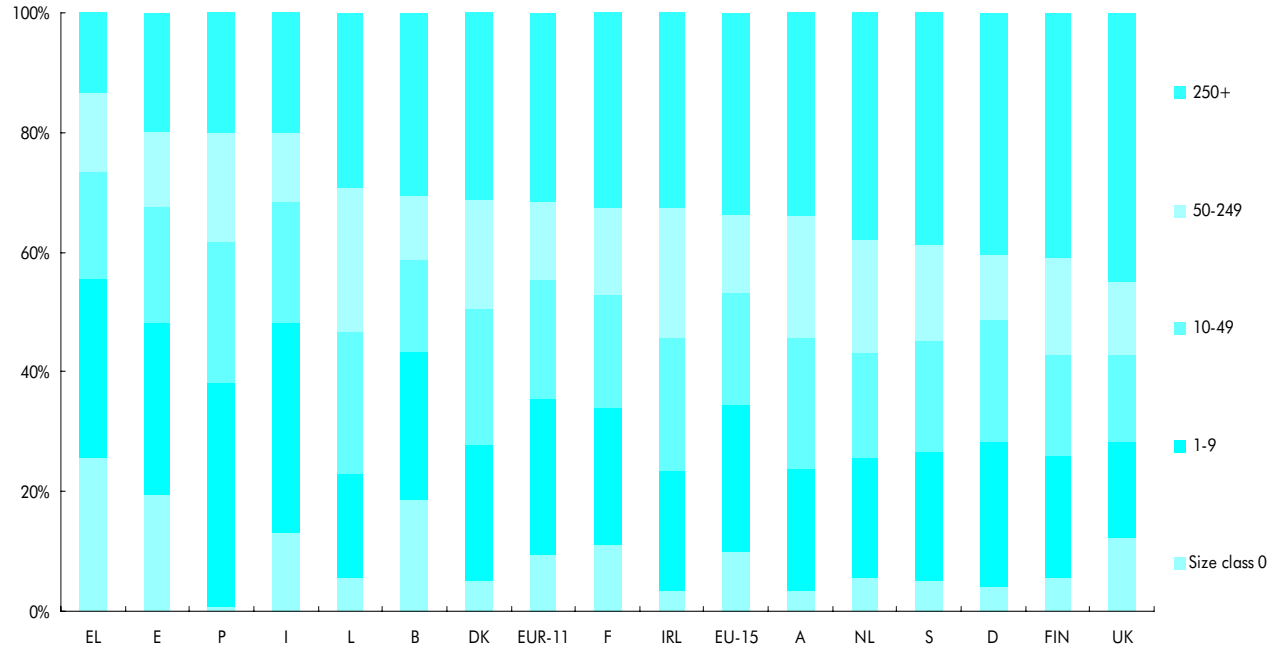
In terms of size of enterprises, there is a sharp north-south divide in Europe. Large enterprises take a more significant role in the northern countries, whilst SMEs are remarkably dominant in the south. Thus, in terms of total employment, the four Member States where the share of SMEs is largest are Greece, Spain, Portugal and Italy, with 80 to 85 % of the total, against an EU average of 66 % (Figure 4, p. 20). At the other extreme, the United Kingdom, Finland, Germany, Sweden and the Netherlands are the five Member States where the share of large enterprises in total employment is biggest, with around 38 to 45 % of the total. The euro-zone is little different from the EU in this respect, with the SMEs accounting for 68.5 % of total employment.

Micro-enterprises are more significant in the southern Member States

Clear differences also appear between Member States as regards the importance of micro-enterprises, those without employees and up to 9 employees. They, too, generally reflect a north-south divide (Belgium counting amongst the southern countries in this case).

Fig. 4

Distribution of employment by size class — 1996 (by decreasing order of SMEs' share in total employment)



NB: The figures are for VAT units in Belgium and legal units in Finland.

Source: Eurostat — SME database.

Tab. 2

Enterprises and employment in the European Union — Changes 1995-96

	Enterprises		Total employment		Number of persons employed	
	Thousands		Thousands		Mean	
Employment size class	1995	1996	1995	1996	1995	1996
0	9 348	9 283	11 304	11 143	1	1
1-9	7 657	7 866	26 649	27 291	3	3
10-49	1 079	1 087	20 830	21 009	19	19
50-249	154	156	14 574	14 624	95	94
Total SMEs	18 237	18 391	73 357	74 067	4	4
250+	36	36	37 037	37 768	1 016	1 044
All enterprises	18 273	18 427	110 393	111 835	6	6

Source: Eurostat — SME database.

Enterprises without employees are thus notably significant in Greece, Belgium and Spain, representing approximately from 18 to 25 % of total employment in these three countries, against 10 % in the Union as a whole and 9.3 % in the euro-zone (Figure 4). Conversely, they account for a very small share of total employment (less than 5 %) in Germany, Ireland, Austria and Portugal. These differences may partly reflect differences of sectoral structure, since the significance of enterprises without employees is very uneven from one sector to the other, and is generally great in trade and HoReCa, a particularly strong sector in Greece, Belgium and Spain, but weak in industry and energy, which is very well represented in Germany.

THE DEVELOPMENT OF ENTERPRISES IN EUROPE: THE MAIN STAKES

The development of the fabric of enterprises in Europe is a key stake for employment and regional development in the Union. Enterprises, and SMEs in particular, themselves face major challenges in terms of modernisation and economic efficiency. Finally, looking to the future, we must consider the situation of the economic fabric in the candidate central European countries.

SMEs as the key to employment

Of the 150 million jobs or so in the European Union in 1996, around 112 million were in Europe's 18.4 million enterprises of the non-agricultural market sector, and 74 million of them in SMEs.

Between 1995 and 1996, the total number of enterprises of the non-agricultural market sector rose by around 150 000 in the Union, and the corresponding employment by around 1.5 million persons employed (Table 2). The improvement in numbers of enterprises can be attributed entirely to SMEs, as can around half the improvement in employment (710 000 net additional jobs). Within SMEs, a further distinction must be made between enterprises without employees (self-employed persons and family workers) and the others. The former, which account for 50 % of all enterprises and 10 % of employment, are becoming fewer in number while their employment decreases. On the other hand, these measures are rising in all other categories of enterprises, and most strongly amongst very small enterprises (1 to 9 employees). These changes nevertheless include the results of movements between size classes.

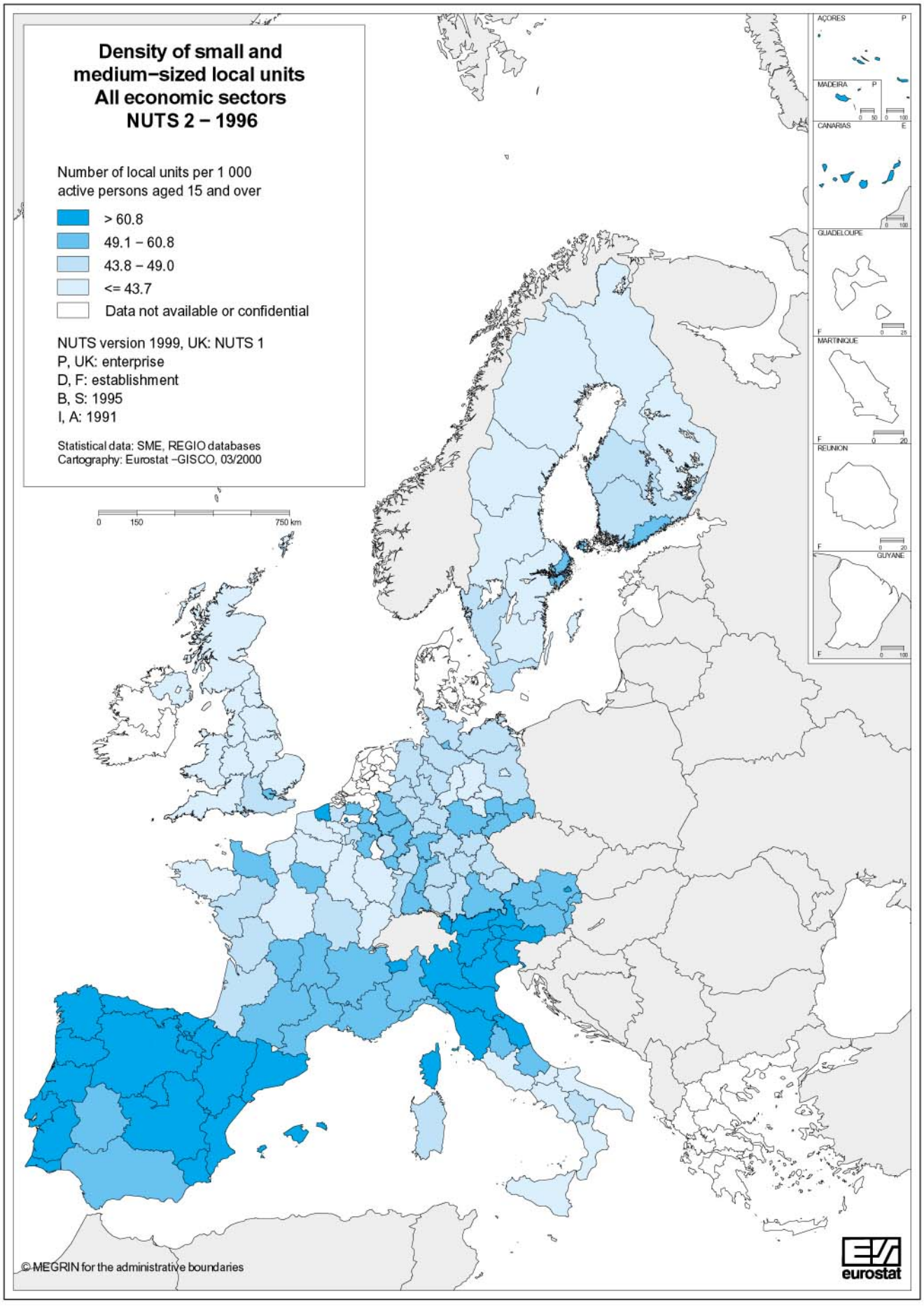
In all, the average European enterprise employed six persons in 1996, but this image must be qualified. SMEs, which account for virtually all European enterprises, employ an average of four, whilst Europe's 36 000 large enterprises each employ an average of more than one thousand.

Working conditions seem to vary in a number of respects with the size of the local unit. Instability of employment is greater in the smallest ones, and part-time working more widespread, whilst average levels of education are lower in small and medium-sized units. Another feature of the smallest units is that they have a higher proportion of female employees and young employees (aged 15 to 24) than large ones.

Disparity of the fabric of local units in the European Union

The regions of the European Union are marked by notable disparities in terms of the density of the fabric of local units of various sizes. A further differentiation arises from their sectoral specialisation. In some cases these disparities correspond to geographical demarcation, with, in particular, in a number of Member States a north/south divide in terms of small and medium-sized local units (1 to 99 employees) density. At European level there is a divide between the centre and the periphery as regards the density of large units.

The density of small and medium-sized units also broadly outlines a north/south divide at European level, with the highest densities to be found generally in Spain, Portugal, northern Italy, southern France and Austria, and the lowest in the United Kingdom, Sweden and Finland (see Map, p. 22).


Density of small and medium-sized local units All economic sectors NUTS 2 – 1996
Number of local units per 1 000 active persons aged 15 and over
> 60.8
49.1 – 60.8
43.8 – 49.0
<= 43.7
Data not available or confidential
NUTS version 1999, UK: NUTS 1
P, UK: enterprise
D, F: establishment
B, S: 1995
I, A: 1991
Statistical data: SME, REGIO databases
Cartography: Eurostat –GISCO, 03/2000
0 150 750 km
AÇORES
MADEIRA
CANARIAS
GUADELOUPE
MARTINIQUE
REUNION
GUYANE
© MEGRIN for the administrative boundaries
eurostat

Europe's regions are also highly distinctive as regards the specialisation of their small and medium-sized units, although there is no particular geographical pattern in this case. Thus, industrial small and medium-sized units are particularly significant in this category of units in most Italian regions and several of France's. High-tech small and medium-sized units are particularly well represented in several German regions, northern Italy and, more generally, the capital regions.

Finally, it must be stressed that small and medium-sized units vitality is generally characteristic of the most dynamic regions, those where growth is strongest being generally distinguished by a higher density of such units.

Innovation: essential for SMEs

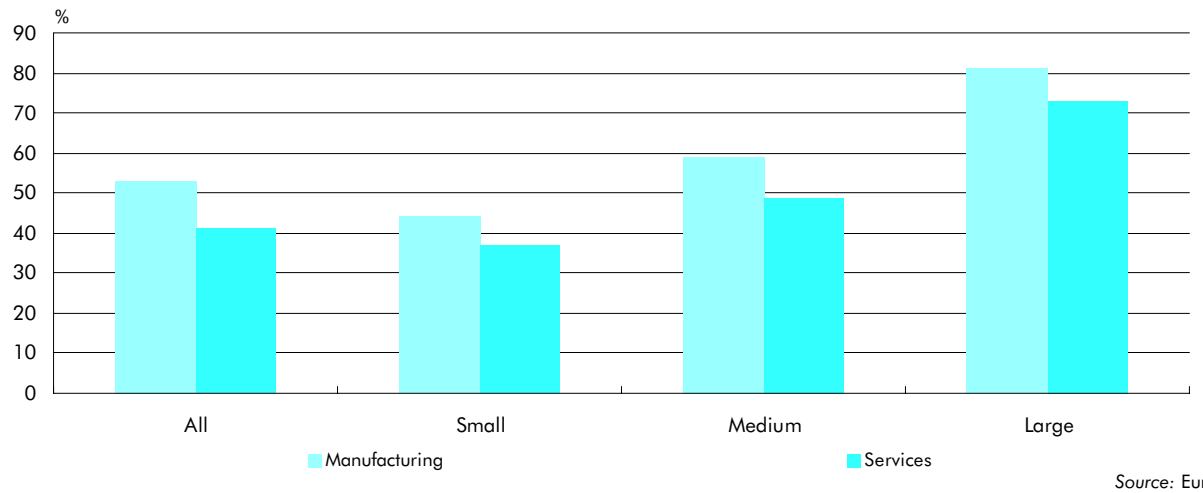
Generally speaking, SMEs appear to be innovative. Nevertheless, proportionately far fewer SMEs than large enterprises implemented a product or process innovation in 1996, either in manufacturing or services (Figure 5). Furthermore, of those which had brought in a product innovation, proportionately far more large enterprises than SMEs produced an original innovation, in the sense of being also new to their sector of activity. This is the finding of a specific survey conducted in 12 European countries amongst industrial enterprises with 20 or more employees and services enterprises with 10 or more employees ([1]).

These differences may partly result from the disparity of the means devoted to innovation and to the specific handicaps encountered by SMEs in this area. Although innovating SMEs seem to meet fewer constraints than large enterprises, once their project has been launched, those which do encounter problems mention more frequently as hindrances the high cost of innovation, the lack of finance and regulatory constraints. In addition, SMEs are more dependent than large enterprises on external sources of information in developing innovations. As regards resources, while a large industrial enterprise devotes, on average across the various countries, 4.5 % of its turnover to innovation, the measure for SMEs in the sector is only around 2.5 %. In services, on the other hand, small enterprises devote as much of their turnover to innovation as large enterprises.

([1]) Belgium, Germany, Spain, France, Ireland, Luxembourg, the Netherlands, Austria, Finland, Sweden, United Kingdom and Norway.

Innovating enterprises in manufacturing and services (as a % of the number of enterprises) — Median values across countries — 1996

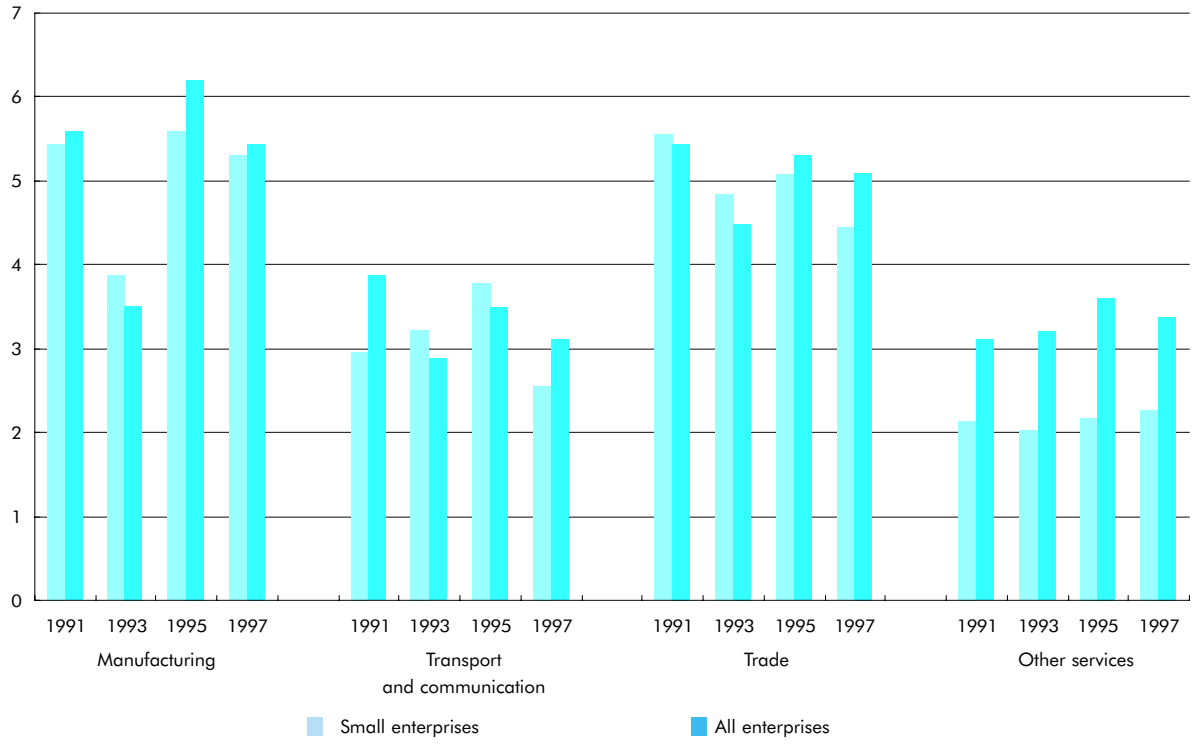
Fig. 5



Source: Eurostat.

Fig. 6

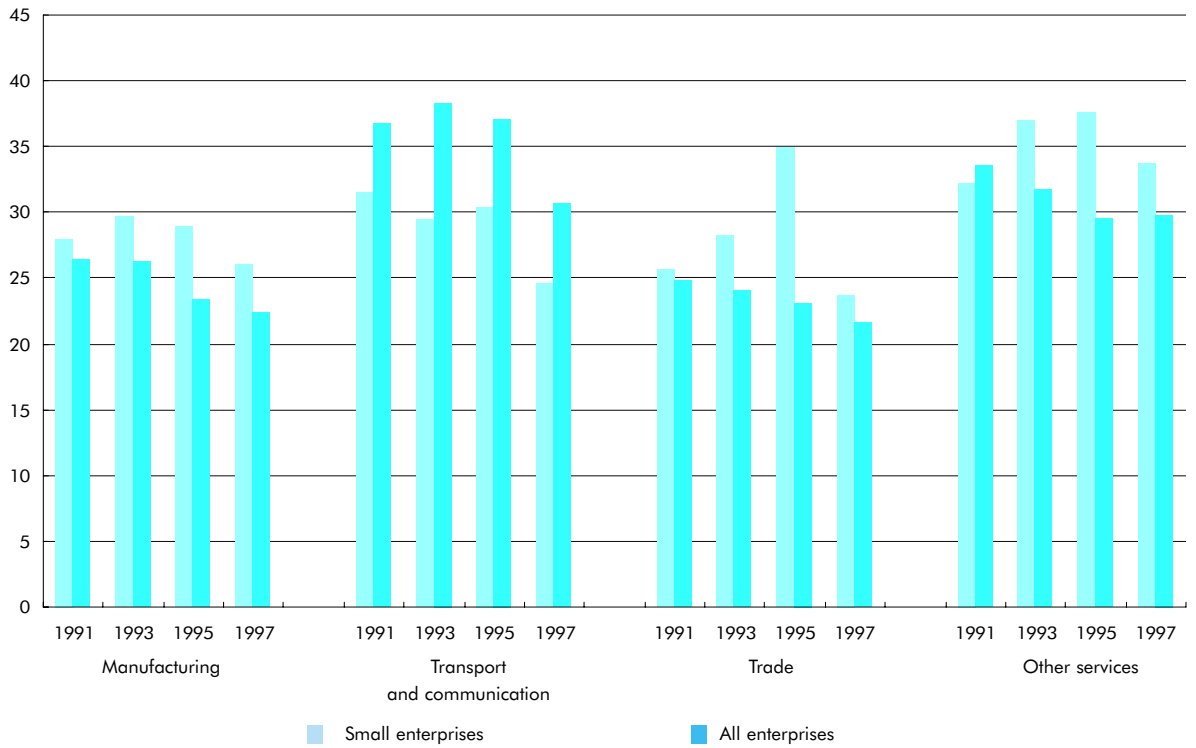
Profit rate — 1991-97
(net pre-tax operating profit as a % of total assets) — Median values across countries



Source: Eurostat/DG ECFIN — BACH database.

Fig. 7

Total debt ratio — 1991-97
(all debt as a % of total assets) — Median values across countries



Source: Eurostat/DG ECFIN — BACH database.

For SMEs as for large enterprises, the main objectives of innovation are to conquer new markets or market shares and to improve products and services. But small industrial enterprises seem more often than large ones to have an eye to reducing the cost of labour. Curiously, the opposite applies in the case of services enterprises.

Profitability and access to finance: SMEs remain disadvantaged

The problem of SMEs access to finance is already well known and is the subject of close attention in the Third Multi-annual Programme for SMEs in the European Union and the multi-annual Programme for Enterprise and Entrepreneurship (2001-2005).

The profit margin on turnover of SMEs has generally improved in several Member States during the 1990s and was in 1997 frequently similar to or even higher than that of large enterprises ([1]). But this improved profit margin on sales has not always been reflected in the rate of return on assets of SMEs (Figure 6), which seems to point to an even faster growth of their capital-intensity during the same period. In 1997, the profit rate of small enterprises seemed to remain below that of the population as a whole, according to the data on ten Member States of the European Union ([2]).

Furthermore, small enterprises generally show higher value added ratios and staff costs ratios.

SMEs also show a number of characteristics which illustrate their disadvantageous situation as regards access to finance: they are generally more dependent than large enterprises on short-term debt, while the total debt ratio of small enterprises seems to be generally higher than that of the population as a whole (Figure 7). Very logically, interest charges generally form a larger proportion of turnover for SMEs than for large enterprises.

([1]) The definition of small, medium-sized and large enterprises used in this analysis differs from that used in the rest of the report. See the relevant chapter, p. 145, for further details.

([2]) Belgium, Denmark, Germany, Spain, France, Italy, the Netherlands, Austria, Portugal, Sweden.

Enterprises of the candidate central European countries face many difficulties

The transition to a market economy is not just an opportunity to the enterprises of the candidate central European countries: it is also a challenge. They face major difficulties and they frequently perceive their prospects as uncertain.

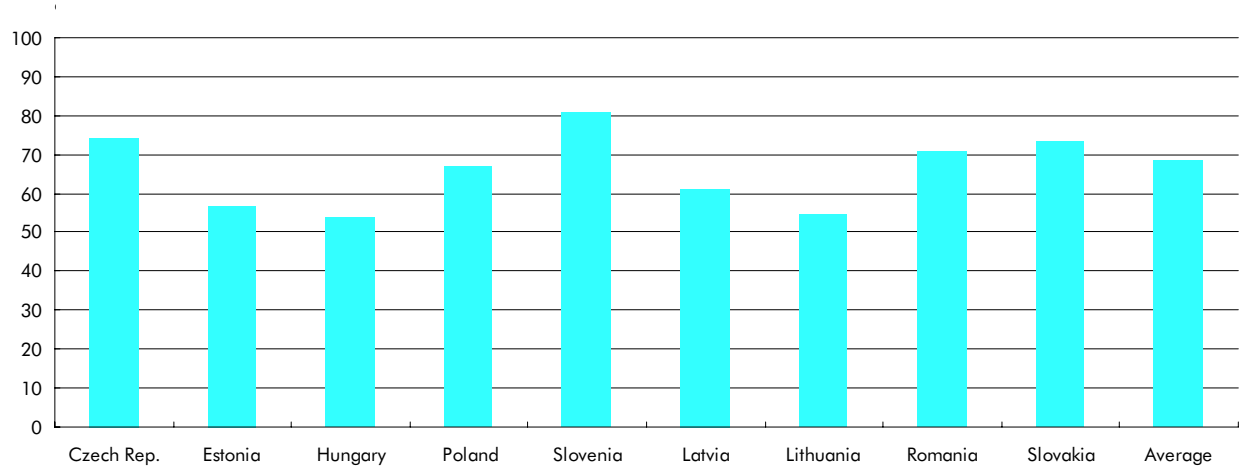
Thus around 30 % of the active enterprises in the sample of a specific survey conducted in 1995 were no longer active two years later; this reflects a particularly low survival rate. Even so, the rate varies widely across countries, exceeding 80 % in Slovenia but little more than 50 % in Estonia, Hungary and Lithuania (Figure 8).

Amongst the survivors, a number of indicators of regression or difficulty could be noted: more than a quarter of the small enterprises of 1995 no longer had any employees in 1997; a significant proportion of enterprises (between 12 and 19 % according to the sector of origin) had switched out of their sector of activity between these two years; two-thirds of those involved in several activities in 1995 had concentrated on a single activity by 1997; two-thirds of those which had several local units in 1995 had only one two years later; a quarter of those operating from independent premises had moved back to managers homes.

The enterprises of the candidate countries encounter problems both on the supply and demand side: lack of funds, lack of access to credit, clients being short of funds and too much competition.

These observations must of course be qualified according to the country. Some, Slovenia in particular, are in a much better position than others.

Fig. 8 *Survival rate of enterprises — 1995-97 (%)*



Source: Eurostat.

Sectoral analyses 2

SMEs in 34 sectors of economic activity

This chapter aims to provide a detailed analysis of the various activities of the non-agricultural market economy. 34 sectors at NACE two-digit level are examined, using the data for 1996. Some of the sectors represent aggregations of several categories of activity.

The sectors dealt with in the Fifth Report (data for 1994-95) are maintained, for the essential, in this report. NACE 61 (water transport), NACE 63 (supporting and auxiliary transport services, travel agencies) and NACE 73 (research and development), which were omitted from the Fifth Report, have been reintroduced in this chapter.

Structure of the sectoral page

A figure and tables outline the main features of each sector by comparing it with the economy as a whole at European Union level. For present purposes, the economy includes all non-agricultural market activities other than NACE 80 (education), 91 (activities of membership organisations) and 95 (private households with employed persons).

— A figure allows comparison of SMEs' shares in total employment and turnover ([1]) in the sector under consideration and in the economy as a whole.

— A table shows the distribution of employment by main salaried employment size classes at EU, euro-zone and national level. ([1])

— A second table provides data at EU, euro-zone and national level for the three following variables: number of enterprises ([2]), total employment (number of persons employed) and turnover. ([1, 3, 4])

— A final table shows sectoral changes (in number of enterprises, employment and turnover) affecting SMEs and large enterprises in the EU and euro-zone since 1995.

It should be noted that the turnover and the evolution rates based on it are given in current prices. Furthermore, the data and analyses are confined to market activities, a major part of the activity in certain sectors, particularly in section O (community, social and personal service activities) is liable to be excluded.

Owing to methodological changes in the data received from several Member States, notably Belgium, Denmark, Germany and Portugal, the key figures and the breakdown of employment by salaried employment size class reproduced in this part are not always directly comparable with those published in the Fifth Report.

Moreover, because of the existence in Iceland of a special employment size class comprising self-employed workers with one or more employees, which is not distributed among the various size classes but is included in total employment, the sum of the shares of the various size classes for Iceland may add up to less than 100 %.

([1]) This information is also available in the Fifth Report.

([2]) Number of VAT units in Belgium and number of legal units in Finland.

([3]) Comparison of these data with those obtained from other sources, such as the SBS or LFS, should be avoided owing to differences in methodology.

([4]) Gross production value in the case of Norway.

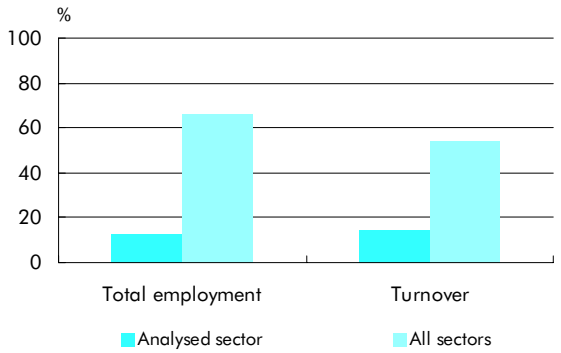
Energy products

This sector includes the mining and extraction of solid fuels (coal, lignite and peat: NACE 10), the extraction and production of crude petroleum and natural gas and related service activities (NACE 11) and the mining of uranium (NACE 12). It also includes the manufacture of coke, refined petroleum products and nuclear fuel (NACE 23).

SMEs count for only 14.2 % of turnover and 12.7 % of employment in the sector at EU level. That is to say, the sector is dominated by large enterprises whose turnover is increasing slowly at EU level in 1996, more clearly in the euro-zone.

Primary energy consumption is still dominated by oil, which accounts for almost 45 % of gross internal energy demand, while natural gas consumption is rising fast and now accounts for nearly 20 % of demand. As part of its energy policy, the European Commission has put forward measures to unify the EU energy market and improve international competitiveness.

SMEs' share of employment and turnover in European Union — 1996



Source: Eurostat.

Trends affecting SMEs and larger enterprises between 1995 and 1996 (%)

	EU-15		EUR-11	
	SMEs	Larger	SMEs	Larger
Enterprises	:	-1.0	0.4	-0.7
Total employment	:	:	-0.5	:
Turnover	:	1.5	:	7.0

Source: Eurostat.

Key figures by country — 1996

	Enterprises	Total employment	Turnover ECU million
EU-15	7 450	408 332	273 253
EUR-11	2 515	323 838	230 937
B	73	..	..
DK	39	744	1 568
D	376	167 713	91 519
EL	:	:	:
E	..	..	..
F	256	55 096	47 953
IRL	:	:	:
I	462	..	..
L	:	:	:
NL	107	10 216	:
A	24	..	..
P	9	3 485	4 138
FIN	846	6 067	4 767
S	:	..	..
UK	4 693	78 740	39 410
IS	2	8	:
NO	85	25 849	32 808

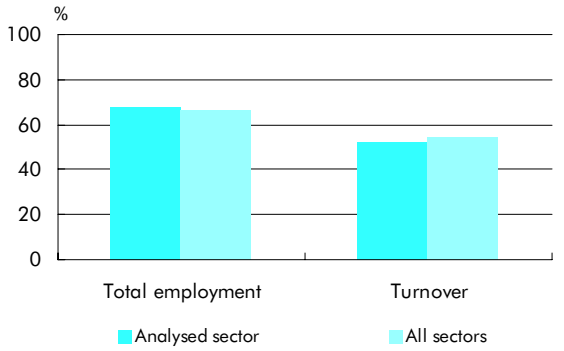
Source: Eurostat.

Breakdown of employment by size class (%) 1996

	Number of employees				
	Size class 0	1-9	10-49	50-249	250+
EU-15	1.3	1.1	3.5	6.7	87.3
EUR-11	0.3	0.9	3.2	5.1	90.5
B	..	..	5.6	16.8	76.4
DK	..	5.4	..	38.8	0.0
D	0.0	0.4	1.4	1.6	96.7
EL	:	:	:	:	:
E	..	1.1	6.2	12.9	..
F	0.2	0.5	2.3	3.9	93.1
IRL	:	:	3.8	27.6	68.0
I	0.4	..	..	13.6	73.7
L	:	:	:	:	:
NL	..	..	..	5.6	84.2
A	..	0.7	2.4	7.3	..
P	0.0	..	..	..	..
FIN	4.7	..	..	4.4	79.6
S	2.4	2.8	..	22.2	..
UK	5.4	..	..	12.2	76.4
IS	0.0	100.0	0.0	0.0	0.0
NO	0.0	0.3	0.7	4.2	94.8

Source: Eurostat.

SMEs' share of employment and turnover in European Union — 1996



Source: Eurostat.

Trends affecting SMEs and larger enterprises between 1995 and 1996 (%)

	EU-15		EUR-11	
	SMEs	Larger	SMEs	Larger
Enterprises	1.0	-2.3	2.3	-2.0
Total employment	3.1	0.1	4.3	0.8
Turnover	4.6	-3.1	5.2	-4.1

Source: Eurostat.

Breakdown of employment by size class (%) 1996

	Number of employees				
	Size class 0	1-9	10-49	50-249	250+
EU-15	2.6	16.7	27.6	21.2	31.9
EUR-11	2.3	17.4	27.9	20.4	32.1
B	..	13.4	..	15.9	44.4
DK	2.7	..	30.9	29.7	..
D	1.1	13.6	19.5	19.4	46.4
EL	:	:	:	:	:
E	4.7	27.1	32.0	..	..
F	1.7	12.0	30.8	23.5	32.1
IRL	:	:	37.1	19.9	30.4
I	3.8	..	..	18.2	13.7
L	:	:	:	:	:
NL	0.8	..	..	30.2	30.4
A	0.6	..	17.0	27.3	..
P	0.9	30.8	29.0	..	..
FIN	2.0	14.6	21.3	..	..
S	..	14.6	..	21.7	38.2
UK	4.8	13.1	25.4	24.8	31.9
IS	5.7	26.4	32.6	3.0	28.9
NO	0.0	14.0	24.9	27.0	34.0

Source: Eurostat.

Mining and working of metals

This sector covers a number of traditional 'heavy' industries: the mining of metal ores (NACE 13), the manufacture of basic metals (NACE 27), which covers the iron and steel industry, the preliminary processing of steel, non-ferrous metals and the foundry, and finally, the manufacture of fabricated metal products (NACE 28).

It accounts for major shares of the economy of the European Union in terms of employment (3.7 %) and turnover (2.8 %). The importance of SMEs in this sector is similar to their importance in the economy as a whole in terms of both employment (68 %) and turnover (53 %). Employment rose in 1996 in the European Union as in the euro-zone, more clearly in the SMEs than in the large enterprises.

Key figures by country — 1996

	Enterprises	Total employment	Turnover ECU million
EU-15	325 382	4 112 411	484 938
EUR-11	260 253	3 342 850	395 113
B	7 229	..	..
DK	4 010	55 378	5 377
D	55 527	1 165 677	148 865
EL	:	:	:
E	41 311	343 619	33 070
F	29 850	580 904	70 369
IRL	:	:	:
I	96 220	..	..
L	:	:	:
NL	5 180	117 818	:
A	3 192	..	..
P	16 420	98 034	4 172
FIN	4 259	47 208	6 972
S	6 114	105 624	15 138
UK	49 893	560 064	56 211
IS	578	2 824	:
NO	2 385	28 375	4 782

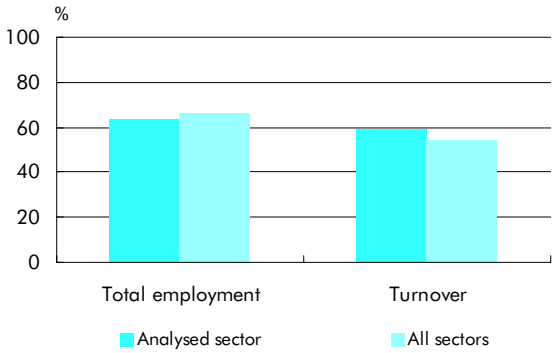
Source: Eurostat.

Non-metallic mineral products

This sector covers the other extraction industries (NACE 14, Quarrying of stone, sand, salt, etc.) and the manufacture of non-metallic mineral products (NACE 26) such as glass and ceramics, cement, plaster, concrete, stone, etc.

This sector comprises about 110 000 enterprises and employs more than 1.5 million people in Europe. Micro-enterprises with fewer than 10 employees represent just 16 % of employment, while SMEs with between 10 and 249 employees account for almost 48 %. The number of SMEs, the number of persons which they employ and their turnover all increased between 1995 and 1996 (by + 3.1, + 1.9 and + 1.1 % respectively), whereas the corresponding figures for large enterprises decreased (by – 9.3, – 1.1 and – 5.5 % respectively).

SMEs' share of employment and turnover in European Union — 1996



Source: Eurostat.

Trends affecting SMEs and larger enterprises between 1995 and 1996 (%)

	EU-15		EUR-11	
	SMEs	Larger	SMEs	Larger
Enterprises	3.1	-9.3	4.8	-3.1
Total employment	1.9	-1.1	2.5	1.6
Turnover	1.1	-5.5	0.6	-5.4

Source: Eurostat.

Key figures by country — 1996

	Enterprises	Total employment	Turnover ECU million
EU-15	108 187	1 546 641	176 937
EUR-11	91 002	1 294 952	147 294
B	2 171	43 860	7 156
DK	1 059	20 929	2 679
D	17 549	384 730	49 538
EL	:	:	:
E	15 353	184 674	16 521
F	10 544	197 962	25 623
IRL	:	:	:
I	32 994	275 829	29 008
L	:	:	:
NL	..	..	:
A	1 487	40 532	5 771
P	7 501	..	..
FIN	1 348	..	..
S	1 167	20 753	2 711
UK	13 351	189 488	18 246
IS	118	744	:
NO	1 395	11 692	1 994

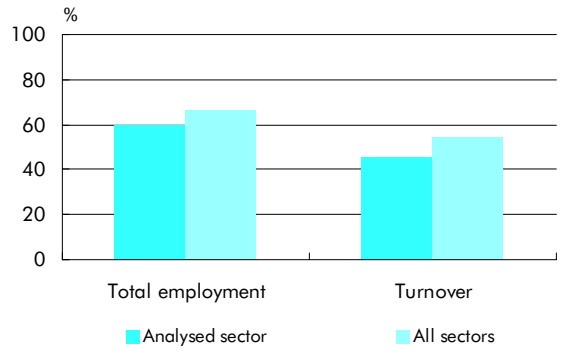
Source: Eurostat.

Breakdown of employment by size class (%) 1996

	Number of employees				
	Size class 0	1-9	10-49	50-249	250+
EU-15	2.2	13.9	24.8	22.7	36.3
EUR-11	1.8	15.0	26.3	22.6	34.3
B	2.5	14.4	21.8	..	..
DK	2.1	9.0	20.9	..	..
D	0.9	11.2	18.9	20.8	48.1
EL	:	:	:	:	:
E	2.4	19.4	..	26.7	..
F	2.2	11.0	22.5	19.8	44.5
IRL	:	:	..	..	..
I	3.0	21.9	35.1	20.8	19.1
L	:	:	:	:	:
NL	1.0	..	..	21.2	43.4
A	0.9	8.0	..	31.6	..
P	0.5	17.5	32.8	..	..
FIN	2.1	..	18.2	23.3	..
S	2.7	8.3	13.7	31.6	43.7
UK	4.7	8.1	15.6	..	..
IS	3.1	25.1	46.8	23.0	0.0
NO	0.0	21.6	22.6	26.0	29.8

Source: Eurostat.

SMEs' share of employment and turnover in European Union — 1996



Source: Eurostat.

Trends affecting SMEs and larger enterprises between 1995 and 1996 (%)

	EU-15		EUR-11	
	SMEs	Larger	SMEs	Larger
Enterprises	0.0	-3.7	0.5	-4.4
Total employment	-1.2	-1.5	-1.0	-1.9
Turnover	4.5	8.1	5.2	13.0

Source: Eurostat.

Agricultural and food industries

This sector comprises the food products and beverages industry (NACE 15) and the tobacco industry (NACE 16).

Enterprises in this sector employ slightly more than 3.7 million people, i.e. a little more than 3 % of the total workforce. Sector employment decreased between 1995 and 1996, however, by 1.2 % in the case of SMEs and 1.5 % in the case of large enterprises. Turnover in this sector accounts for more than 4 % of total turnover in the European Union, and it increased clearly between 1995 and 1996, by 4.5 % in the case of SMEs and by 8.1 % in the case of large enterprises.

Breakdown of employment by size class (%) 1996

	Number of employees				
	Size class 0	1-9	10-49	50-249	250+
EU-15	2.2	19.4	19.8	18.3	40.3
EUR-11	2.3	22.5	22.0	19.0	34.3
B	6.2	23.5	20.1	17.4	32.9
DK	0.6	..	13.1	16.4	..
D	0.4	18.8	24.3	16.7	39.7
EL	:	:	:	:	:
E	4.0	20.7	..	21.8	..
F	3.9	26.8	18.9	18.4	32.1
IRL	:	:	14.0	42.5	40.9
I	3.3	35.3	22.6	17.4	21.4
L	:	:	:	:	:
NL	0.7	11.9	11.7	..	..
A	0.6	18.5	28.2	..	..
P	0.4	19.2	28.6	..	..
FIN	1.2	6.4	12.8	..	..
S	1.1	7.4	12.7	..	..
UK	1.9	3.5	8.5	..	..
IS	0.9	10.5	32.9	17.4	37.2
NO	0.0	6.6	20.3	22.3	50.8

Source: Eurostat.

Key figures by country — 1996

	Enterprises	Total employment	Turnover ECU million
EU-15	293 662	3 707 282	732 429
EUR-11	265 936	2 987 599	611 142
B	10 507	106 804	26 531
DK	2 173	92 365	20 190
D	54 840	875 041	210 828
EL	:	:	:
E	38 298	398 195	64 324
F	67 097	649 015	..
IRL	:	:	:
I	70 005	440 220	90 466
L	:	:	:
NL	5 625	213 659	:
A	4 678	..	..
P	11 280	..	..
FIN	1 925	..	..
S	1 864	..	..
UK	16 081	504 188	73 739
IS	655	9 037	:
NO	1 951	53 555	12 053

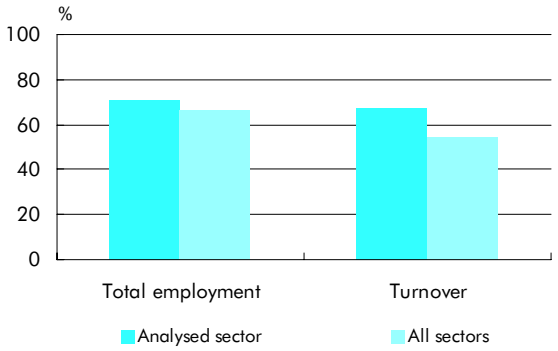
Source: Eurostat.

Textile industry

The textile industry (NACE 17) includes the spinning, weaving and finishing of natural and artificial fibres, the manufacture of textile articles and the manufacture of fabrics and knitwear.

More than 90 000 enterprises are active in this sector in the European Union. The numbers of SMEs and large enterprises fell by 2.5 and 6.4 % respectively between 1995 and 1996. The number of persons employed by SMEs declined by 2.6 % and the workforce employed by large enterprises fell by 4.5 %. Turnover, on the other hand, increased by 1.4 % in the case of SMEs, but fell slightly for large enterprises.

SMEs' share of employment and turnover in European Union — 1996



Source: Eurostat.

Trends affecting SMEs and larger enterprises between 1995 and 1996 (%)

	EU-15		EUR-11	
	SMEs	Larger	SMEs	Larger
Enterprises	-2.5	-6.4	-1.3	-7.7
Total employment	-2.6	-4.5	-2.1	-5.4
Turnover	1.4	-0.3	1.2	-1.5

Source: Eurostat.

Key figures by country — 1996

	Enterprises	Total employment	Turnover ECU million
EU-15	90 266	1 233 469	124 655
EUR-11	69 220	987 777	99 444
B	1 967	47 081	6 345
DK	724	10 399	1 125
D	7 378	154 350	20 293
EL	:	:	:
E	11 139	111 480	8 216
F	5 562	147 021	15 946
IRL	:	:	:
I	33 423	333 054	37 834
L	:	:	:
NL	1 505	25 977	:
A	931	24 886	2 782
P	5 955	123 562	4 568
FIN	1 033	7 279	645
S	747	9 693	1 084
UK	18 019	197 015	14 415
IS	72	510	:
NO	858	5 020	445

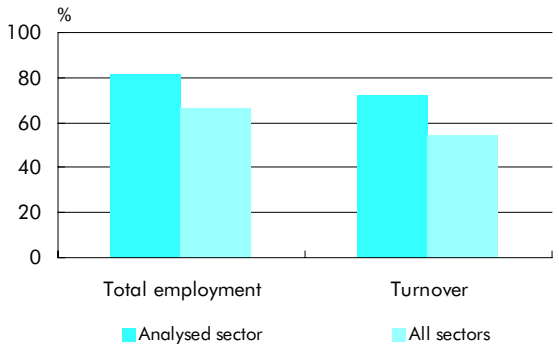
Source: Eurostat.

Breakdown of employment by size class (%) 1996

	Number of employees				
	Size class 0	1-9	10-49	50-249	250+
EU-15	3.1	11.8	25.5	30.6	29.0
EUR-11	2.2	12.8	27.3	30.6	27.0
B	2.0	13.8	23.1	28.4	32.6
DK	2.6	14.5	..	..	..
D	1.5	5.5	15.8	31.2	46.0
EL	:	:	:	:	:
E	4.7	19.0	33.3	28.8	14.2
F	1.6	7.8	26.1	37.3	27.2
IRL	:	:	..	..	..
I	2.9	18.6	36.0	26.1	16.4
L	:	:	:	:	:
NL	..	15.7	23.7	..	31.3
A	1.0	7.1	17.5	29.2	45.2
P	0.3	8.0	19.9	35.7	36.1
FIN	4.2	13.2	19.6	32.2	30.7
S	4.4	15.7	28.2	36.2	15.7
UK	7.5	7.1	15.7	28.9	40.8
IS	1.8	26.9	25.5	12.0	32.2
NO	0.0	23.9	32.7	34.7	8.6

Source: Eurostat.

SMEs' share of employment and turnover in European Union — 1996



Source: Eurostat.

Trends affecting SMEs and larger enterprises between 1995 and 1996 (%)

	EU-15		EUR-11	
	SMEs	Larger	SMEs	Larger
Enterprises	-0.8	-5.6	0.7	-5.0
Total employment	-1.2	-3.9	-0.3	-2.2
Turnover	2.7	-0.9	1.9	3.7

Source: Eurostat.

Clothing and leather

The clothing and leather industry covers the manufacture of leather and textile clothes and the dressing and dyeing of furs (NACE 18) as well as the tanning and dressing of leather and the manufacture of luggage, handbags and footwear (NACE 19).

Since 1995, employment in this sector has decreased by 1.2 % for SMEs and 3.9 % for large enterprises. The importance of SMEs in this sector is considerable: they account for 81 % of employment and 73 % of turnover. Enterprises with fewer than 50 employees account for 57 % of employment.

Breakdown of employment by size class (%) 1996

	Number of employees				
	Size class 0	1-9	10-49	50-249	250+
EU-15	4.4	17.5	35.4	23.8	18.8
EUR-11	4.2	18.7	37.6	24.2	15.4
B	8.5	14.5	..	24.0	..
DK	..	..	..	..	20.3
D	6.9	17.3	20.3	24.1	31.4
EL	:	:	:	:	:
E	5.8	22.4	43.2	..	..
F	4.2	13.0	27.9	33.8	21.2
IRL	:	:	..	..	..
I	4.4	23.1	47.7	16.8	8.0
L	:	:	:	:	:
NL	2.8	30.9	31.8	..	..
A	2.5	11.0	16.6	25.9	44.0
P	0.2	11.8	33.0	36.8	18.2
FIN	4.7	12.8	..	32.6	..
S	..	..	27.3	34.6	0.0
UK	6.1	..	20.1	20.4	..
IS	2.8	16.2	19.1	23.9	36.8
NO	0.0	27.9	28.6	43.5	0.0

Source: Eurostat.

Key figures by country — 1996

	Enterprises	Total employment	Turnover ECU million
EU-15	188 519	1 731 012	129 121
EUR-11	166 222	1 491 068	111 302
B	2 310	20 027	2 625
DK	939	8 888	1 038
D	24 717	188 706	19 947
EL	:	:	:
E	..	..	..
F	13 670	193 217	16 799
IRL	:	:	:
I	77 582	595 692	49 826
L	:	:	:
NL	..	..	:
A	1 502	23 369	1 932
P	17 932	246 632	5 859
FIN	1 716	10 542	746
S	720	5 677	561
UK	18 718	209 423	12 168
IS	128	761	:
NO	750	3 302	239

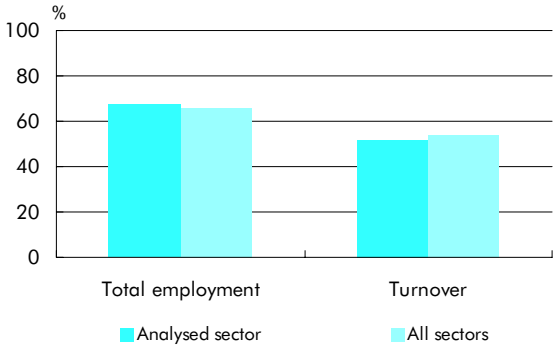
Source: Eurostat.

Wood and paper processing

This sector includes the processing of wood (sawmilling, planing, impregnation and manufacture of articles — NACE 20) and the pulp, paper and paper products industry (NACE 21).

Italy, with almost 56 000 enterprises, accounts for one-third of EU enterprises in this sector, but represents only 15 % of the workforce (256 000 persons employed) and 13 % of turnover, or almost ECU 30 billion. Italian enterprises are predominantly SMEs. 90 % of employment is concentrated in them, compared with 67 % in the European Union as a whole (and 74 % in enterprises with fewer than 50 employees).

SMEs' share of employment and turnover in European Union — 1996



Source: Eurostat.

Trends affecting SMEs and larger enterprises between 1995 and 1996 (%)

	EU-15		EUR-11	
	SMEs	Larger	SMEs	Larger
Enterprises	1.8	-1.5	3.0	-1.5
Total employment	-0.5	-1.6	-0.1	-1.7
Turnover	:	:	:	:

Source: Eurostat.

Key figures by country — 1996

	Enterprises	Total employment	Turnover ECU million
EU-15	165 789	1 691 975	215 907
EUR-11	140 891	1 353 680	167 340
B	2 313	34 651	5 665
DK	1 087	26 067	3 050
D	27 389	447 711	54 638
EL	:	:	:
E	22 489	152 971	:
F	12 291	202 573	26 928
IRL	:	:	:
I	55 821	255 936	27 946
L	:	:	:
NL	..	..	:
A	3 574	57 182	8 731
P	10 865	74 354	4 479
FIN	3 148	68 952	15 506
S	3 075	79 962	16 835
UK	19 047	213 849	23 502
IS	360	1 279	:
NO	2 430	22 199	3 789

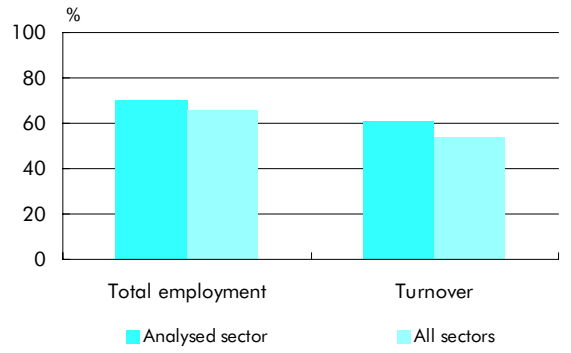
Source: Eurostat.

Breakdown of employment by size class (%) 1996

	Number of employees				
	Size class 0	1-9	10-49	50-249	250+
EU-15	3.7	19.1	24.2	20.2	32.8
EUR-11	3.7	21.0	25.1	19.4	30.8
B	4.9	18.2	24.9	17.7	34.2
DK	..	9.3	27.7	30.2	..
D	1.1	16.7	19.8	17.1	45.2
EL	:	:	:	:	:
E	7.5	29.7	31.4	18.8	12.6
F	2.8	13.8	28.5	25.9	29.0
IRL	:	:	..	..	..
I	8.8	33.7	31.5	15.9	10.1
L	:	:	:	:	:
NL	1.6	..	..	..	..
A	1.7	15.0	23.0	27.1	33.1
P	0.7	28.8	34.5	22.3	13.7
FIN	1.2	5.3	7.9	11.7	73.8
S	..	6.9	..	19.5	57.7
UK	5.1	13.6	21.0	23.8	36.5
IS	7.9	31.3	38.9	4.8	13.9
NO	0.0	17.2	25.6	26.7	30.5

Source: Eurostat.

SMEs' share of employment and turnover in European Union — 1996



Source: Eurostat.

Trends affecting SMEs and larger enterprises between 1995 and 1996 (%)

	EU-15		EUR-11	
	SMEs	Larger	SMEs	Larger
Enterprises	-0.1	1.0	3.3	2.1
Total employment	-0.1	0.5	1.0	1.4
Turnover	3.0	9.8	3.8	12.7

Source: Eurostat.

Breakdown of employment by size class (%) 1996

	Number of employees				
	Size class 0	1-9	10-49	50-249	250+
EU-15	5.4	18.8	25.2	21.1	29.5
EUR-11	3.6	20.2	26.9	21.0	28.3
B	13.3	16.3	25.8	20.3	24.3
DK	1.9	12.4	..	..	46.3
D	2.0	12.8	22.1	22.0	41.1
EL	:	:	:	:	:
E	6.4	30.1	30.5	20.2	12.8
F	4.5	22.0	28.5	22.1	22.9
IRL	:	:	..	..	..
I	4.0	29.8	32.3	15.8	18.0
L	:	:	:	:	:
NL	..	17.6	..	17.5	39.7
A	0.8	12.2	31.8	31.6	23.5
P	0.8	26.8	36.5	23.1	12.8
FIN	2.0	15.0	18.5	28.8	35.7
S	3.7	19.4	22.5	30.6	23.8
UK	11.3	15.6	21.1	19.8	32.3
IS	3.8	21.0	23.6	9.3	40.7
NO	0.0	17.0	18.7	21.1	43.2

Source: Eurostat.

Publishing, printing and reproduction

Publishing, printing and reproduction (NACE 22) covers all the stages necessary for the transformation of creative products into products made available to the public: books, newspapers, magazines, musical scores, postcards, photographs, posters, disks, etc. It therefore includes publishing, activities connected with printing such as composition, photoengraving and binding, but also the reproduction of sound, video recording and computer media.

Turnover in this sector grew between 1995 and 1996, particularly for the major companies (+ 9.8 %), thanks mainly to big increases in Italy and Germany. The United Kingdom has almost one-third of all European enterprises in this industry.

Key figures by country — 1996

	Enterprises	Total employment	Turnover ECU million
EU-15	191 530	1 682 754	203 921
EUR-11	120 919	1 168 275	152 028
B	6 498	39 895	5 733
DK	3 007	53 003	3 962
D	28 227	370 492	61 135
EL	:	:	:
E	19 688	134 511	:
F	23 798	232 006	30 951
IRL	:	:	:
I	26 164	176 034	19 393
L	:	:	:
NL	6 725	103 450	:
A	1 466	27 150	3 377
P	4 742	38 872	2 001
FIN	2 697	29 512	3 328
S	4 786	52 958	6 347
UK	58 625	384 606	35 658
IS	418	1 993	:
NO	3 797	37 485	3 505

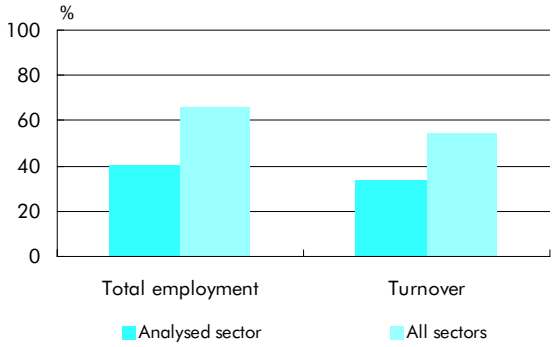
Source: Eurostat.

Chemicals, rubber and plastics industry

This sector includes the manufacture of chemicals: basic chemicals, agro-chemical products and pharmaceuticals, paints, varnishes, soaps, care products, etc. (NACE 24) and the rubber and plastic industry (NACE 25).

Nearly 90 000 EU enterprises operate in this sector. These are especially 'heavy' industries with an average of 36 persons employed per enterprise, compared with six per enterprise in the economy as a whole. It should be noted, however, that the large enterprises are clearly more dominant in the chemicals industry (NACE 24) than in the rubber and plastic industry (NACE 25) when SMEs account for around 50 % of employment. Globally, SMEs account for just 40 % of employment and 34 % of turnover. The United Kingdom has 30 % of EU enterprises in this sector, but provides only 17 % of EU employment, with an average of 21 persons per enterprise. Germany, with only 14 % of the enterprises, provides 30 % of sector employment in Europe, with an average of 76 persons employed per enterprise.

SMEs' share of employment and turnover in European Union — 1996



Source: Eurostat.

Trends affecting SMEs and larger enterprises between 1995 and 1996 (%)

	EU-15		EUR-11	
	SMEs	Larger	SMEs	Larger
Enterprises	-1.2	0.0	1.0	0.4
Total employment	1.3	-0.4	2.4	0.5
Turnover	3.1	-0.9	6.0	3.1

Source: Eurostat.

Key figures by country — 1996

	Enterprises	Total employment	Turnover ECU million
EU-15	89 402	3 203 726	596 806
EUR-11	59 037	2 518 874	477 775
B	1 787	95 179	29 887
DK	1 093	48 826	7 189
D	12 566	951 260	156 251
EL	:	:	:
E	10 449	240 929	39 547
F	8 921	502 267	111 386
IRL	512	29 886	9 478
I	18 623	418 732	86 251
L	:	:	:
NL	1 825	141 068	:
A	937	51 798	9 183
P	2 452	49 730	5 043
FIN	926	31 314	5 571
S	1 560	55 137	11 487
UK	26 441	543 857	88 206
IS	136	1 279	:
NO	668	17 629	3 843

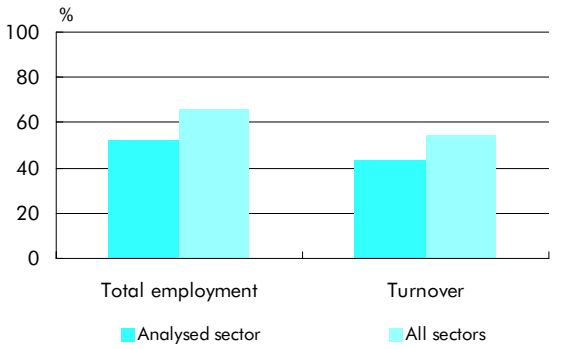
Source: Eurostat.

Breakdown of employment by size class (%) 1996

	Number of employees				
	Size class 0	1-9	10-49	50-249	250+
EU-15	0.9	4.8	14.1	20.5	59.6
EUR-11	0.4	4.9	14.5	19.7	60.5
B	0.8	3.7	10.6	19.3	65.6
DK	..	..	15.1	..	..
D	0.1	2.9	9.7	12.2	75.1
EL	:	:	:	:	:
E	1.1	9.5	21.8	28.6	39.0
F	0.4	3.4	12.2	22.0	62.0
IRL	:	:	17.0	33.7	46.9
I	0.7	8.9	25.8	24.0	40.5
L	:	:	:	:	:
NL	0.4	..	7.5	..	..
A	0.3	2.9	12.6	..	..
P	0.3	9.6	27.4	37.8	24.8
FIN	0.5	5.0	13.5	23.9	57.1
S	0.8	5.4	14.4	26.3	53.1
UK	3.4	4.5	12.0	22.1	58.1
IS	1.2	16.8	45.6	26.4	8.2
NO	0.0	6.0	16.8	21.6	55.6

Source: Eurostat.

SMEs' share of employment and turnover in European Union — 1996



Source: Eurostat.

Trends affecting SMEs and larger enterprises between 1995 and 1996 (%)

	EU-15		EUR-11	
	SMEs	Larger	SMEs	Larger
Enterprises	2.3	-1.8	4.1	-1.4
Total employment	2.0	0.7	2.8	1.6
Turnover	8.1	3.5	8.8	5.2

Source: Eurostat.

Machinery and equipment

Production in this sector (NACE 29) comprises mainly capital goods: equipment for production and the use of mechanical energy, machines for general or specific use, forestry and agricultural machinery and machine tools. Moreover, this sector covers the manufacture of weapons and ammunition and domestic electrical appliances.

With 142 000 enterprises (0.8 % of the total number of companies in the European Union), slightly more than 3 million persons employed (2.7 % of total employment) and turnover of ECU 395 billion (2.3 % of the European total), this industry is expanding, in particular thanks to SMEs which registered in 1996 a growth of 2.3 % for the number of enterprises, 2.0 % for employment and 8.1 % for turnover.

Breakdown of employment by size class (%) 1996

	Number of employees				
	Size class 0	1-9	10-49	50-249	250+
EU-15	1.3	8.0	19.8	23.2	47.7
EUR-11	1.1	8.1	20.2	22.6	48.0
B	2.5	8.8	19.9	22.0	46.7
DK	0.7	5.7	19.0	..	..
D	0.2	3.5	13.5	17.0	65.9
EL	:	:	:	:	:
E	4.2	18.0	32.4	23.7	21.8
F	1.5	9.2	20.0	24.4	45.0
IRL	:	:	26.6	35.8	31.6
I	1.7	12.8	28.9	26.4	30.2
L	:	:	:	:	:
NL	0.9	9.6	..	36.9	..
A	0.4	5.0	..	..	..
P	0.9	16.4	36.6	31.3	14.9
FIN	1.9	7.6	14.3	28.4	47.7
S	1.3	7.1	14.0	20.4	57.2
UK	2.6	8.2	18.3	26.2	44.7
IS	:	:	:	:	:
NO	0.0	14.5	16.5	26.6	42.4

Source: Eurostat.

Key figures by country — 1996

	Enterprises	Total employment	Turnover ECU million
EU-15	141 945	3 037 255	395 557
EUR-11	112 168	2 424 451	322 257
B	1 945	43 167	7 445
DK	2 263	73 291	8 127
D	25 030	1 046 447	143 095
EL	:	:	:
E	14 588	159 572	14 963
F	15 155	340 423	47 535
IRL	432	14 489	1 466
I	41 798	557 159	78 451
L	:	:	:
NL	..	..	:
A	1 762	71 576	8 874
P	4 168	46 709	2 411
FIN	3 479	55 075	7 993
S	3 106	102 471	14 876
UK	23 046	415 849	44 005
IS	:	:	:
NO	2 467	26 361	3 849

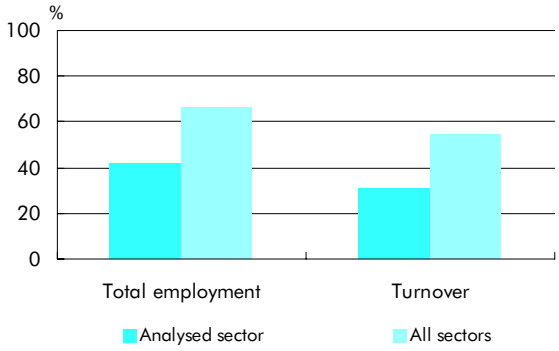
Source: Eurostat.

Electrical and electronic equipment

This heading includes the manufacture of office machinery (NACE 30), electrical machinery and apparatus (NACE 31), radio, television and communication equipment and apparatus (NACE 32) and medical, precision and optical instruments, watches and clocks (NACE 33).

The sector comprises about 168 000 enterprises employing some 3.3 million people, i.e. 3 % of the total EU workforce. The number of enterprises, employment and turnover increased in these sectors, both for SMEs and for large companies.

SMEs' share of employment and turnover in European Union — 1996



Source: Eurostat.

Trends affecting SMEs and larger enterprises between 1995 and 1996 (%)

	EU-15		EUR-11	
	SMEs	Larger	SMEs	Larger
Enterprises	3.1	2.2	6.0	2.0
Total employment	1.2	1.0	2.2	0.5
Turnover	8.1	7.7	8.7	8.6

Source: Eurostat.

Key figures by country — 1996

	Enterprises	Total employment	Turnover ECU million
EU-15	168 189	3 315 375	459 032
EUR-11	128 322	2 581 942	358 287
B	2 843	55 836	9 037
DK	1 858	43 821	5 297
D	30 661	1 052 099	138 717
EL	:	:	:
E	12 370	165 188	17 193
F	18 923	505 416	80 616
IRL	:	:	:
I	53 887	470 467	56 763
L	:	:	:
NL	3 295	98 320	:
A	1 598	76 949	11 475
P	2 475	..	..
FIN	1 643	52 752	9 589
S	2 924	86 470	14 985
UK	33 220	583 231	74 411
IS	222	827	:
NO	1 171	18 012	2 827

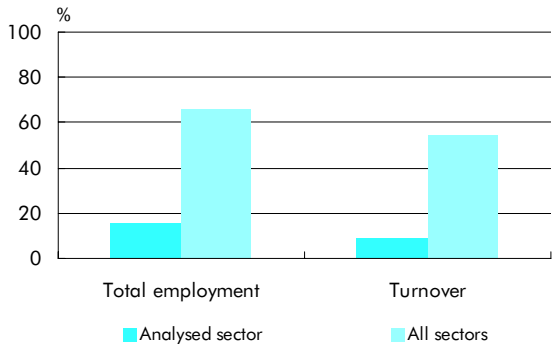
Source: Eurostat.

Breakdown of employment by size class (%) 1996

	Number of employees				
	Size class 0	1-9	10-49	50-249	250+
EU-15	2.0	8.5	14.0	17.1	58.4
EUR-11	1.6	9.2	14.6	15.8	58.9
B	4.6	4.8	9.9	..	..
DK	1.3	..	18.2	..	35.9
D	0.7	5.5	12.0	12.7	69.2
EL	:	:	:	:	:
E	3.4	15.0	21.3	..	..
F	1.4	8.0	13.4	17.9	59.3
IRL	:	:	6.9	36.1	55.4
I	3.2	18.6	23.3	16.9	38.0
L	:	:	:	:	:
NL	..	..	..	..	..
A	0.3	..	8.0	..	66.1
P	0.8	..	..	..	65.4
FIN	0.7	5.3	..	..	68.9
S	1.4	9.0	10.9	15.2	63.5
UK	3.7	5.9	..	..	..
IS	:	:	:	:	:
NO	0.0	11.8	17.0	18.7	52.6

Source: Eurostat.

SMEs' share of employment and turnover in European Union — 1996



Source: Eurostat.

Trends affecting SMEs and larger enterprises between 1995 and 1996 (%)

	EU-15		EUR-11	
	SMEs	Larger	SMEs	Larger
Enterprises	-1.7	0.0	-1.1	0.7
Total employment	-0.6	-1.2	0.1	-1.5
Turnover	7.2	10.2	5.5	10.6

Source: Eurostat.

Breakdown of employment by size class (%) 1996

	Number of employees				
	Size class 0	1-9	10-49	50-249	250+
EU-15	0.4	1.7	4.8	8.2	84.9
EUR-11	0.2	1.5	4.5	6.9	86.8
B	0.3	1.3	4.3	5.4	88.6
DK	0.4	5.1	15.8	35.9	42.9
D	0.1	0.6	2.2	:	:
EL	:	:	:	:	:
E	0.3	3.3	7.9	14.4	74.0
F	0.2	1.4	4.4	6.9	87.1
IRL	:	:	..	..	..
I	0.1	1.5	8.3	14.5	75.7
L	:	:	:	:	:
NL	..	..	7.1	18.6	58.9
A	0.1	1.6	6.6	15.5	76.2
P	0.1	3.6	13.0	22.2	61.1
FIN	0.7	7.4	17.4	27.8	46.8
S	0.2	1.4	4.1	10.5	83.8
UK	2.0	2.8	5.5	13.4	76.3
IS	:	:	:	:	:
NO	0.0	4.4	19.9	25.1	50.6

Source: Eurostat.

Motor vehicles industry

This sector (NACE 34) comprises three parts: the manufacture of motor vehicles, the manufacture of coachwork, trailers and semi-trailers and the manufacture of parts and accessories for vehicles and engines.

This is the industrial sector in which large production units account for the biggest share of employment (nearly 85 %) and turnover (91 %).

Key figures by country — 1996

	Enterprises	Total employment	Turnover ECU million
EU-15	20 543	1 845 438	419 918
EUR-11	12 268	1 509 380	350 458
B	475	54 214	16 699
DK	200	7 829	896
D	3 759	732 137	164 396
EL	:	:	:
E	2 258	149 113	39 242
F	2 120	291 636	76 779
IRL	:	:	:
I	1 936	193 355	35 596
L	:	:	:
NL	585	26 700	:
A	218	24 978	5 792
P	520	25 584	5 122
FIN	280	6 803	777
S	457	66 681	17 016
UK	7 274	253 105	48 792
IS	4	0	:
NO	115	4 251	541

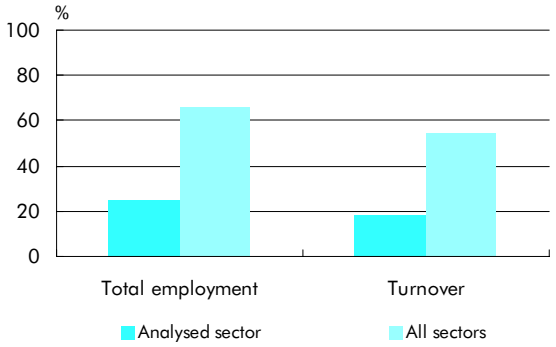
Source: Eurostat.

Transport equipment (excluding motor vehicles)

A wide range of products is covered by the manufacture of other transport equipment (NACE 35): the construction and repair of ships, construction of railway rolling stock, aerospace equipment and the manufacture of motor cycles, bicycles and other transport equipment.

This industry experienced a strong growth of its turnover in 1996, of more than 7 % for SMEs and 12.5 % for large enterprises. SMEs account for only 25 % of employment and 19 % of turnover in the sector.

SMEs' share of employment and turnover in European Union — 1996



Source: Eurostat.

Trends affecting SMEs and larger enterprises between 1995 and 1996 (%)

	EU-15		EUR-11	
	SMEs	Larger	SMEs	Larger
Enterprises	-0.4	-5.4	2.6	-7.5
Total employment	1.8	2.1	2.7	3.0
Turnover	7.6	12.5	8.0	13.3

Source: Eurostat.

Key figures by country — 1996

	Enterprises	Total employment	Turnover ECU million
EU-15	20 811	732 103	105 911
EUR-11	13 888	525 863	82 919
B	327	8 113	1 053
DK	481	13 800	1 480
D	2 215	137 130	24 303
EL	:	:	:
E	2 233	54 492	3 583
F	2 472	156 089	33 930
IRL	:	:	:
I	4 056	107 335	12 866
L	:	:	:
NL	1 310	28 144	:
A	85	5 031	904
P	595	14 951	653
FIN	532	11 704	1 781
S	651	19 673	2 411
UK	5 544	169 178	17 968
IS	74	530	:
NO	1 019	28 707	3 839

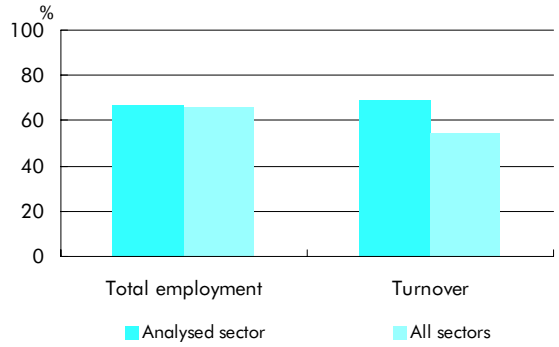
Source: Eurostat.

Breakdown of employment by size class (%) 1996

	Number of employees				
	Size class 0	1-9	10-49	50-249	250+
EU-15	1.1	4.5	8.2	11.0	75.2
EUR-11	0.8	4.6	9.2	10.8	74.6
B	2.7	4.9	14.7	12.2	65.5
DK	..	6.5	11.3	..	..
D	0.2	3.8	8.2	6.3	81.5
EL	:	:	:	:	:
E	1.8	7.5	14.1	14.2	62.3
F	0.7	2.6	4.1	8.2	84.5
IRL	:	:	..	..	..
I	1.0	6.5	12.6	13.9	65.9
L	:	:	:	:	:
NL	..	6.7	..	20.5	55.1
A	0.4	4.1	3.7	16.5	75.4
P	0.5	6.0	14.5	20.3	58.8
FIN	1.2	5.4	7.0	12.0	74.4
S	..	6.8	7.3	16.3	..
UK	1.9	3.7	4.7	..	..
IS	3.6	16.2	36.0	13.8	28.5
NO	0.0	5.1	12.3	19.7	62.9

Source: Eurostat.

SMEs' share of employment and turnover in European Union — 1996



Source: Eurostat.

Trends affecting SMEs and larger enterprises between 1995 and 1996 (%)

	EU-15		EUR-11	
	SMEs	Larger	SMEs	Larger
Enterprises	0.2	:	1.8	:
Total employment	1.1	:	1.7	:
Turnover	1.7	1.6	1.2	1.6

Source: Eurostat.

Breakdown of employment by size class (%) 1996

	Number of employees				
	Size class 0	1-9	10-49	50-249	250+
EU-15	5.7	17.0	23.6	20.8	32.8
EUR-11	5.1	17.1	23.9	19.2	34.7
B	14.7	21.7	28.5	22.8	12.3
DK	3.2	11.1	29.1	..	..
D	0.9	2.4	12.0	19.3	65.4
EL	:	:	:	:	:
E	10.7	32.8	36.2	14.4	5.9
F	10.9	20.9	22.0	22.1	24.0
IRL	:	:	..	..	..
I	8.0	30.4	38.4	16.8	6.3
L	:	:	:	:	:
NL	..	..	16.5	18.1	45.7
A	1.7	23.3	30.7	23.8	20.4
P	0.5	33.9	39.7	21.0	4.8
FIN	4.9	20.3	26.4	23.2	25.1
S	4.1	15.5	22.3	37.5	20.6
UK	10.7	17.3	19.6	27.1	25.2
IS	19.8	30.8	42.6	0.0	0.0
NO	0.0	18.2	27.3	32.9	21.6

Source: Eurostat.

Other manufacturing industries

Other manufacturing industries (NACE 36) cover the manufacture of various groups of consumer goods: furniture, jewellery, musical instruments, sport articles, games and toys and others. Among the various sub-branches in this sector, the manufacture of furniture is by far the most important in terms of production and employment.

Germany is the dominant country in this sector, accounting for 12 % of enterprises, 25 % of turnover and 34 % of employment. The structure of this industry is also unusual in Germany, with large enterprises providing 65 % of employment, compared with 33 % in the European Union as a whole.

Key figures by country — 1996

	Enterprises	Total employment	Turnover ECU million
EU-15	206 457	1 803 104	131 472
EUR-11	166 160	1 508 671	103 556
B	5 254	34 587	4 634
DK	2 269	34 353	3 387
D	23 789	615 890	33 225
EL	:	:	:
E	29 832	160 683	8 541
F	24 609	193 190	16 851
IRL	:	:	:
I	58 146	307 992	28 909
L	:	:	:
NL	5 710	46 031	:
A	4 275	53 080	4 239
P	11 396	68 823	1 981
FIN	2 447	14 407	1 274
S	1 766	23 737	2 592
UK	32 682	213 975	16 489
IS	138	263	:
NO	1 836	13 925	1 380

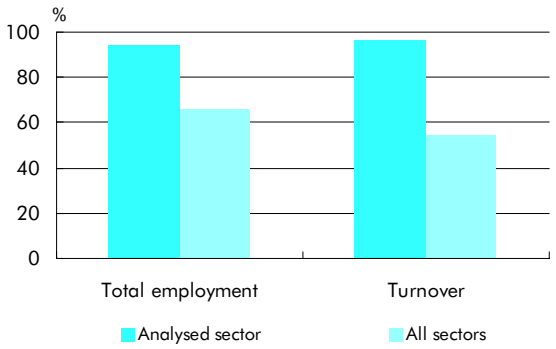
Source: Eurostat.

Recycling

This covers the recycling of metal and non-metal waste and scrap (NACE 37)

This sector comprises 11 400 enterprises employing 78 000 persons and generating turnover of ECU 12.5 billion. The importance of this sector in the economy as a whole is still very small: 0.06 % of the number of enterprises and 0.07 % of employment and turnover in the European Union. Germany and France are the pioneers of recycling, accounting for more than half the number of enterprises, employment and turnover in the European Union. SMEs are dominant in the sector, accounting for 94 % of employment and 97 % of turnover.

SMEs' share of employment and turnover in European Union — 1996



Source: Eurostat.

Trends affecting SMEs and larger enterprises between 1995 and 1996 (%)

	EU-15		EUR-11	
	SMEs	Larger	SMEs	Larger
Enterprises	:	-20.0	:	0.0
Total employment	:	:	:	:
Turnover	7.8	:	3.6	:

Source: Eurostat.

Key figures by country — 1996

	Enterprises	Total employment	Turnover ECU million
EU-15	11 359	77 983	12 477
EUR-11	10 149	66 450	9 587
B	455	4 288	962
DK	27	345	110
D	3 284	17 570	2 668
EL	:	:	:
E	303	:	489
F	3 679	27 796	3 943
IRL	:	:	:
I	1 940	7 004	1 063
L	:	:	:
NL	130	853	:
A	87	943	143
P	106	886	84
FIN	96	242	47
S	54	564	260
UK	795	8 188	1 913
IS	:	:	:
NO	132	747	118

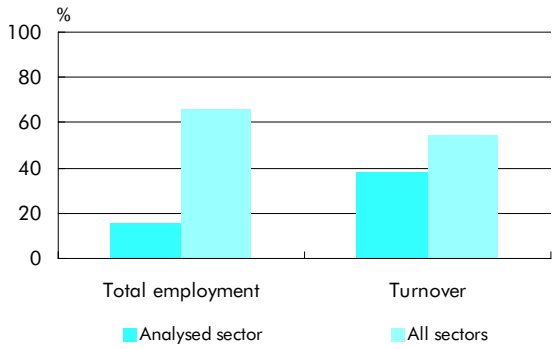
Source: Eurostat.

Breakdown of employment by size class (%) 1996

	Number of employees				
	Size class 0	1-9	10-49	50-249	250+
EU-15	6.3	31.9	37.9	18.1	5.8
EUR-11	7.1	33.5	36.6	16.5	6.3
B	6.3	20.4	45.6	..	..
DK	1.4	9.0	30.1	59.4	0.0
D	7.0	34.6	31.3	17.8	9.3
EL	:	:	:	:	:
E	..	18.6	39.9	8.6	..
F	8.5	36.0	37.9	16.4	1.2
IRL	:	:	..	..	..
I	10.0	46.5	39.9	3.6	0.0
L	:	:	:	:	:
NL	7.3	49.2	43.5	0.0	0.0
A	2.5	19.2	27.5	50.8	0.0
P	1.7	23.6	48.1	26.6	0.0
FIN	7.9	75.6	16.5	0.0	0.0
S	6.0	21.8	17.0	55.1	0.0
UK	0.0	24.4	..	..	0.0
IS	:	:	:	:	:
NO	0.0	29.2	32.8	38.0	0.0

Source: Eurostat.

SMEs' share of employment and turnover in European Union — 1996



Source: Eurostat.

Trends affecting SMEs and larger enterprises between 1995 and 1996 (%)

	EU-15		EUR-11	
	SMEs	Larger	SMEs	Larger
Enterprises	-10.0	9.6	2.9	9.9
Total employment	2.3	-1.5	3.6	-0.9
Turnover	-3.7	1.3	-5.6	1.0

Source: Eurostat.

Electricity, gas and water

This sector includes electricity, gas and hot water supply (NACE 40), and water collection, purification and distribution (NACE 41).

This sector comprises almost 20 000 enterprises (i.e. 0.011 % of all enterprises). The concentration of employment in the major units is particularly high, at 84 %. Germany alone accounts for nearly 38 % of enterprises, 26 % of employment and 34 % of turnover in this sector. The United Kingdom accounts for 16 % of employment and 15 % of turnover. In the United Kingdom, major production units account for more than 97 % of employment in the sector.

Breakdown of employment by size class (%) 1996

	Number of employees				
	Size class 0	1-9	10-49	50-249	250+
EU-15	0.6	2.4	4.4	8.3	84.4
EUR-11	0.5	2.7	4.8	8.7	83.3
B	0.8	..	0.8	0.0	..
DK	10.9	..	7.4	..	48.0
D	0.4	4.3	7.8	10.8	76.6
EL	:	:	:	:	:
E	0.9	6.7	6.8	12.4	73.3
F	0.5	0.5	1.6	3.2	94.3
IRL	:	:	0.6	6.0	92.7
I	0.5	1.3	3.7	7.8	86.7
L	:	:	:	:	:
NL	..	..	0.0	20.8	78.5
A	..	3.3	4.7	10.2	..
P	0.3	3.1	3.2	..	..
FIN	1.2	5.5	13.4	26.6	53.4
S	0.7	2.1	..	..	..
UK	0.0	0.3	0.5	2.0	97.2
IS	0.0	4.9	8.9	28.8	57.3
NO	:	:	:	:	:

Source: Eurostat.

Key figures by country — 1996

	Enterprises	Total employment	Turnover ECU million
EU-15	19 655	1 081 310	390 614
EUR-11	15 860	867 305	310 065
B	167	20 589	21 631
DK	2 841	14 091	7 827
D	7 428	279 060	131 581
EL	:	:	:
E	2 639	83 379	22 618
F	1 635	202 993	52 585
IRL	:	:	:
I	2 003	176 507	44 043
L	:	:	:
NL	205	29 501	:
A	658	37 939	10 204
P	309	19 699	6 002
FIN	768	13 480	5 872
S	550	22 691	12 492
UK	:	176 279	59 904
IS	25	597	:
NO	:	:	:

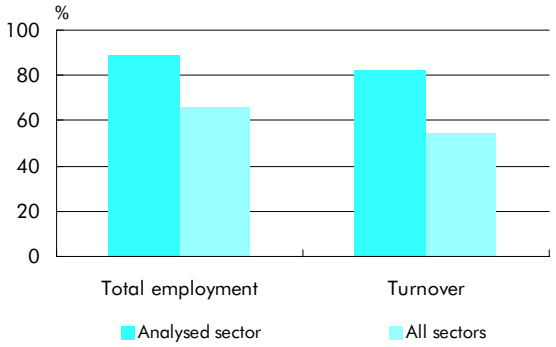
Source: Eurostat.

Construction

The construction industry (NACE 45) covers activities such as the preparation of sites, the construction of complete or partial works, civil engineering, installation and finishing work, and the renting of construction and demolition equipment with operator.

The construction sector is very important to the European economy, accounting for nearly 14 % of enterprises, 9 % of employment and 5.2 % of turnover. More than 10 million people are employed in it. It is the SME sector *par excellence*, since almost 89 % of employment and 82 % of turnover are concentrated in enterprises with fewer than 250 employees.

SMEs' share of employment and turnover in European Union — 1996



Source: Eurostat.

Trends affecting SMEs and larger enterprises between 1995 and 1996 (%)

	EU-15		EUR-11	
	SMEs	Larger	SMEs	Larger
Enterprises	1.8	-1.7	4.1	-2.6
Total employment	-0.8	-4.5	-0.5	-7.2
Turnover	2.8	-9.0	2.6	-12.0

Source: Eurostat.

Key figures by country — 1996

	Enterprises	Total employment	Turnover ECU million
EU-15	2 543 954	10 138 459	898 588
EUR-11	1 572 353	7 882 076	668 088
B	66 566	261 048	22 588
DK	23 335	162 866	14 756
D	309 600	2 180 891	246 651
EL	95 053	320 175	:
E	243 299	1 283 281	92 508
F	291 608	1 638 358	114 555
IRL	12 820	50 071	4 534
I	461 432	1 367 551	99 165
L	1 544	24 768	1 532
NL	48 425	387 926	39 172
A	16 611	242 131	22 020
P	95 708	361 376	16 427
FIN	24 740	84 675	8 937
S	24 148	186 342	..
UK	829 065	1 587 000	132 947
IS	4 124	7 573	:
NO	35 392	111 026	12 960

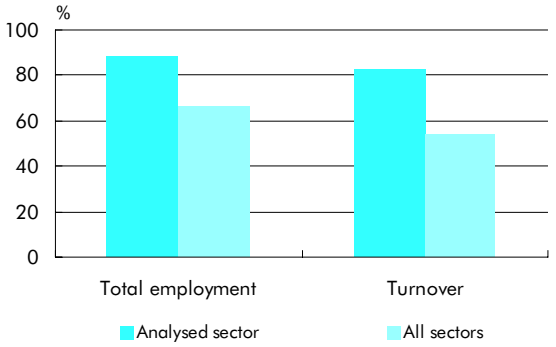
Source: Eurostat.

Breakdown of employment by size class (%) 1996

	Number of employees				
	Size class 0	1-9	10-49	50-249	250+
EU-15	16.1	33.2	26.9	12.4	11.3
EUR-11	9.9	36.4	29.9	13.3	10.5
B	23.2	32.2	24.8	12.5	7.3
DK	5.7	34.5	33.5	13.1	13.2
D	2.5	27.4	41.8	16.3	12.0
EL	20.8	25.4	25.5	15.5	12.8
E	19.1	33.3	26.6	12.4	8.6
F	12.8	37.0	26.4	11.1	12.8
IRL	..	35.3	..	18.9	6.0
I	13.2	52.9	23.6	6.1	4.1
L	1.3	14.3	40.2	34.6	9.7
NL	..	44.6	..	23.4	13.7
A	1.0	18.4	36.3	25.3	19.0
P	0.4	44.5	25.2	16.3	13.5
FIN	8.9	36.3	24.3	10.9	19.6
S	7.6	31.9	22.5	9.1	29.0
UK	48.4	19.2	12.2	7.4	12.9
IS	22.8	34.7	18.7	3.9	11.0
NO	0.0	47.2	28.4	10.4	14.0

Source: Eurostat.

SMEs' share of employment and turnover in European Union — 1996



Source: Eurostat.

Trends affecting SMEs and larger enterprises between 1995 and 1996 (%)

	EU-15		EUR-11	
	SMEs	Larger	SMEs	Larger
Enterprises	0.4	5.9	3.6	2.2
Total employment	1.1	2.4	3.3	0.5
Turnover	8.4	:	10.2	:

Source: Eurostat.

Sale and repair of motor vehicles

This sector (NACE 50) covers the trade in motor vehicles, parts and accessories and trade in motorcycles, maintenance and repair, and service stations (fuel retailing).

The motor vehicle trade and repair sector accounts for 3.9 % of enterprises, 2.8 % of employment and 3.9 % of turnover in the European economy. SME turnover rose by 8.4 % in 1996. The biggest increases in turnover were recorded in Belgium and Italy. As in the construction industry, SMEs predominate, providing 88 % of employment and 83 % of turnover. The United Kingdom counts for about 20 % of all enterprises, employment and turnover in this sector in the European Union.

Breakdown of employment by size class (%) 1996

	Number of employees				
	Size class 0	1-9	10-49	50-249	250+
EU-15	11.5	41.0	25.2	10.6	11.7
EUR-11	9.7	45.0	26.6	9.3	9.4
B	23.9	45.8	19.6	4.1	6.5
DK	6.4	..	..	..	..
D	11.0	32.2	23.4	7.5	26.0
EL	:	:	:	:	:
E	12.7	46.4	29.8	7.4	3.7
F	6.8	44.1	30.0	13.4	5.7
IRL	5.2	38.4	45.5	..	..
I	10.9	64.6	20.8	2.7	0.9
L	:	:	:	:	:
NL	..	39.7	32.8	17.5	..
A	..	..	..	20.2	13.3
P	0.5	50.7	29.7	15.9	3.3
FIN	7.9	38.7	22.8	18.0	12.6
S	6.6	37.7	19.8	27.5	8.4
UK	15.6	26.6	22.1	14.0	21.8
IS	6.9	26.8	14.8	10.0	36.9
NO	0.0	35.7	44.0	16.3	4.1

Source: Eurostat.

Key figures by country — 1996

	Enterprises	Total employment	Turnover ECU million
EU-15	718 719	3 098 117	684 044
EUR-11	511 036	2 243 444	500 259
B	25 798	109 175	33 102
DK	9 968	64 509	12 458
D	100 895	535 630	147 792
EL	:	:	:
E	69 875	303 202	33 902
F	77 407	472 969	98 482
IRL	4 711	26 781	6 506
I	164 400	434 708	95 084
L	:	:	:
NL	18 891	125 333	:
A	..	..	..
P	31 553	122 754	17 490
FIN	8 572	30 184	9 356
S	10 162	56 017	18 361
UK	131 275	643 208	136 083
IS	751	3 057	:
NO	8 177	48 440	15 742

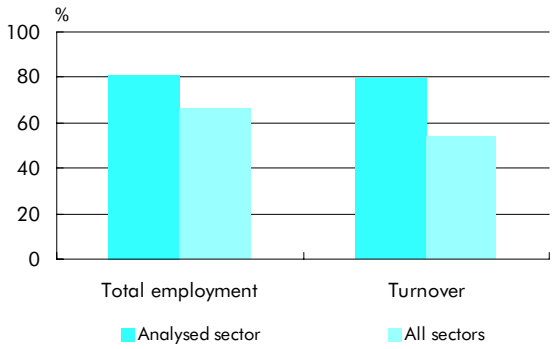
Source: Eurostat.

Wholesale trade and commission trade

This sector (NACE 51) includes the activities of wholesale trade intermediaries and wholesale trade in all kinds of consumer and capital goods.

This is an important sector at EU level, accounting for nearly 8 % of enterprises, nearly 7 % of employment and 15 % of total turnover. 65 % of employment is in enterprises with fewer than 50 employees, i.e. considerably more than in the economy as a whole. The figure for Italy is 84 %. Employment fell by 1.2 % in SMEs but increased by more than 7 % in larger enterprises in 1996.

SMEs' share of employment and turnover in European Union — 1996



Source: Eurostat.

Trends affecting SMEs and larger enterprises between 1995 and 1996 (%)

	EU-15		EUR-11	
	SMEs	Larger	SMEs	Larger
Enterprises	-1.6	-0.4	0.2	-0.3
Total employment	-1.2	7.4	-0.8	6.5
Turnover	3.5	8.4	2.0	5.5

Source: Eurostat.

Key figures by country — 1996

	Enterprises	Total employment	Turnover ECU million
EU-15	1 429 120	7 473 010	2 589 316
EUR-11	1 094 943	5 802 277	1 968 057
B	62 463	292 336	119 610
DK	19 245	165 846	63 905
D	210 199	1 627 400	666 393
EL	:	:	:
E	179 145	877 186	162 730
F	132 350	1 031 254	405 147
IRL	:	44 864	15 062
I	365 082	992 482	286 378
L	:	:	:
NL	48 886	402 551	:
A	..	..	..
P	55 878	251 022	41 438
FIN	16 025	77 613	36 241
S	27 125	190 632	72 686
UK	160 810	1 075 776	439 890
IS	1 309	5 280	:
NO	18 484	102 005	44 680

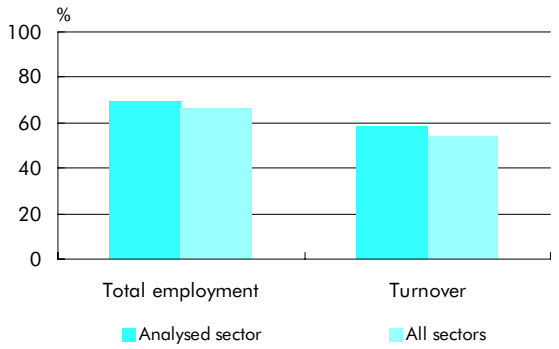
Source: Eurostat.

Breakdown of employment by size class (%) 1996

	Number of employees				
	Size class 0	1-9	10-49	50-249	250+
EU-15	10.0	28.2	26.7	16.5	18.6
EUR-11	9.8	29.4	27.5	16.1	17.2
B	23.5	31.1	23.9	13.0	8.5
DK	3.9	21.0	32.8	23.0	19.3
D	5.5	22.1	26.4	16.0	30.0
EL	:	:	:	:	:
E	13.0	33.9	26.2	15.0	11.9
F	6.7	24.0	33.0	20.1	16.2
IRL	1.4	24.3	36.6	..	..
I	17.5	44.6	22.0	8.0	7.9
L	:	:	:	:	:
NL	..	21.3	32.8	22.2	..
A	..	..	..	29.1	22.5
P	0.7	44.7	34.0	16.2	4.5
FIN	4.2	26.1	23.7	17.5	28.5
S	5.1	31.9	28.9	17.2	16.9
UK	8.2	20.5	24.4	19.2	27.7
IS	3.4	35.8	34.6	3.9	20.9
NO	0.0	31.5	30.3	22.0	16.2

Source: Eurostat.

SMEs' share of employment and turnover in European Union — 1996



Source: Eurostat.

Trends affecting SMEs and larger enterprises between 1995 and 1996 (%)

	EU-15		EUR-11	
	SMEs	Larger	SMEs	Larger
Enterprises	-0.7	3.2	0.6	3.6
Total employment	-0.4	3.3	0.6	1.9
Turnover	1.5	10.0	2.0	7.7

Source: Eurostat.

Breakdown of employment by size class (%) 1996

	Number of employees				
	Size class 0	1-9	10-49	50-249	250+
EU-15	15.6	34.4	13.9	5.2	30.9
EUR-11	17.9	37.7	15.0	5.3	24.0
B	30.1	40.3	9.1	2.1	18.4
DK	7.7	..	..	..	..
D	6.0	31.8	20.3	5.3	36.6
EL	:	:	:	:	:
E	37.8	36.9	9.8	3.4	12.1
F	15.7	33.9	16.9	8.5	24.9
IRL	..	..	20.8	..	..
I	29.9	49.4	8.4	3.5	8.8
L	:	:	:	:	:
NL	9.0	30.0	15.4	5.6	39.9
A	5.2	31.2	..	..	..
P	1.2	73.5	13.5	4.4	7.4
FIN	8.3	31.4	21.0	9.7	29.5
S	7.8	35.6	20.6	7.1	28.8
UK	4.7	20.7	9.7	4.5	60.3
IS	2.6	28.5	20.2	7.3	36.9
NO	0.0	41.8	28.5	9.2	20.5

Source: Eurostat.

Retail trade

Retail trade (NACE 52) includes the retail trade in non-specialised stores and specialised stores, food retailing, pharmaceutical products, the sale of used goods in stores, retail trading not carried out in shops and the repair of personal and domestic appliances.

Almost one company in six in non-agricultural market sectors is in the retail trade, and nearly one person employed in eight works in this sector, which employs more than 13 million persons. Micro-enterprises have a considerable importance in the sector. In Italy, nearly 80 % of employment is concentrated in enterprises with fewer than ten employees. Very small units (1-9 employees) and large units (many of which are major chains, often operating internationally) account for 34 and 31 % respectively of employment in this sector in the European Union.

Key figures by country — 1996

	Enterprises	Total employment	Turnover ECU million
EU-15	3 048 126	13 099 487	1 473 420
EUR-11	2 536 003	9 840 697	1 125 489
B	102 333	479 004	43 738
DK	26 359	189 280	25 885
D	460 507	2 939 364	371 893
EL	:	:	:
E	555 818	1 652 655	144 771
F	361 174	1 743 163	253 432
IRL	..	..	..
I	708 699	1 510 672	164 271
L	:	:	:
NL	84 249	642 170	:
A	..	..	..
P	179 324	385 157	21 591
FIN	24 243	92 885	17 900
S	30 974	184 302	..
UK	234 305	2 555 288	235 833
IS	1 687	8 831	:
NO	32 145	160 284	23 496

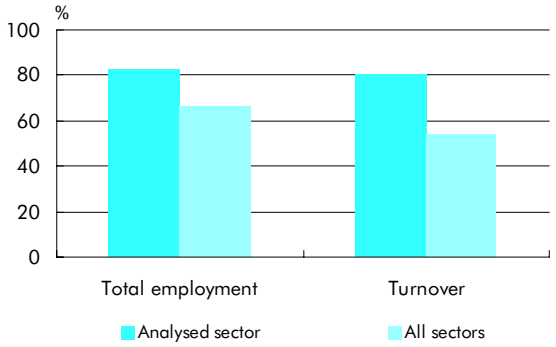
Source: Eurostat.

Hotels and restaurants

This sector (NACE 55) comprises hotels, restaurants, camping sites, cafés, canteens and caterers.

There are more than 1.4 million enterprises in this sector, i.e. almost 8 % of all enterprises in the European Union. The sector employs about 6.5 million people, which is nearly 6 % of total employment, and its turnover amounts to ECU 279 billion, which is 1.6 % of the total turnover of the European economy. SMEs dominate: 83 % of employment and 81 % of turnover are concentrated in units with fewer than 250 employees.

SMEs' share of employment and turnover in European Union — 1996



Source: Eurostat.

Trends affecting SMEs and larger enterprises between 1995 and 1996 (%)

	EU-15		EUR-11	
	SMEs	Larger	SMEs	Larger
Enterprises	1.1	1.9	1.9	5.2
Total employment	0.7	9.2	2.4	4.7
Turnover	1.3	-1.2	3.3	4.3

Source: Eurostat.

Key figures by country — 1996

	Enterprises	Total employment	Turnover ECU million
EU-15	1 412 987	6 544 710	278 706
EUR-11	1 146 173	4 755 060	189 903
B	54 253	206 168	6 499
DK	11 545	79 724	3 293
D	270 737	1 274 830	51 625
EL	:	:	:
E	259 594	915 519	29 334
F	191 281	811 510	38 934
IRL	:	:	:
I	211 796	736 708	33 164
L	:	:	:
NL	40 197	303 429	:
A	37 688	188 102	8 450
P	64 705	213 990	4 432
FIN	9 544	43 524	3 458
S	10 256	70 008	4 685
UK	148 860	1 484 014	52 220
IS	729	3 529	:
NO	8 296	62 965	3 336

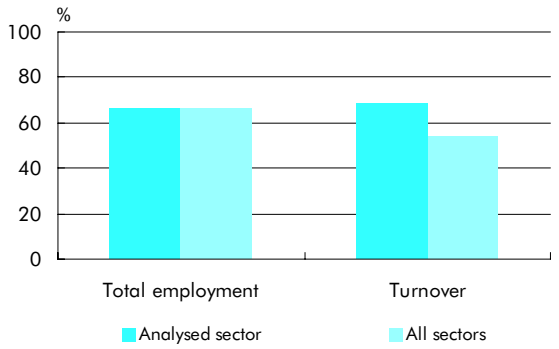
Source: Eurostat.

Breakdown of employment by size class (%) 1996

	Number of employees				
	Size class 0	1-9	10-49	50-249	250+
EU-15	11.7	41.5	21.0	8.6	17.2
EUR-11	13.3	46.9	21.6	8.5	9.8
B	28.2	43.7	16.2	4.4	7.5
DK	11.0	49.1	24.2	8.2	7.5
D	6.9	46.8	27.5	9.3	9.5
EL	:	:	:	:	:
E	22.4	41.3	17.9	10.1	8.3
F	17.4	45.0	18.8	5.5	13.3
IRL	:	:	:	:	:
I	11.8	55.1	18.9	5.5	8.6
L	:	:	:	:	:
NL	9.6	49.4	20.1	11.4	9.6
A	8.8	45.6	30.2	10.8	4.6
P	0.5	60.6	20.2	10.1	8.6
FIN	7.1	32.8	19.6	12.0	28.6
S	6.9	32.3	29.3	14.9	16.6
UK	4.9	23.9	19.6	9.2	42.3
IS	2.7	30.0	43.8	11.8	8.8
NO	0.0	26.4	38.0	19.9	15.6

Source: Eurostat.

SMEs' share of employment and turnover in European Union — 1996



Source: Eurostat.

Trends affecting SMEs and larger enterprises between 1995 and 1996 (%)

	EU-15		EUR-11	
	SMEs	Larger	SMEs	Larger
Enterprises	3.4	2.5	5.0	4.3
Total employment	2.1	2.4	3.1	-0.2
Turnover	4.3	7.2	6.3	6.2

Source: Eurostat.

Land transport

Land transport (NACE 60) includes all activities connected with the road and railway transport of passengers and goods, whether or not it is performed regularly. It also covers the transport of materials (other than distribution of gas, water or steam) by pipeline.

With almost 800 000 enterprises, land transport represents a very substantial part of transport and communications (excluding auxiliary transport activities), with 98 % of the total number of transport enterprises, 89 % of employment and 71 % of turnover. This sector is of considerable importance in the European Union, accounting for more than 4 % of enterprises and 3.5 % of the workforce and generating approximately 1.4 % of turnover.

Breakdown of employment by size class (%) 1996

	Number of employees				
	Size class 0	1-9	10-49	50-249	250+
EU-15	16.6	20.2	19.4	10.4	33.4
EUR-11	15.4	21.1	20.2	10.6	32.7
B	7.4	19.3	22.7	7.6	43.0
DK	..	..	36.8	13.2	3.8
D	4.9	28.0	30.3	12.7	24.1
EL	:	:	:	:	:
E	45.0	23.6	12.2	5.2	14.0
F	10.2	14.2	20.6	14.6	40.4
IRL	:	:	18.5	..	..
I	15.7	22.2	13.5	7.0	41.7
L	:	:	:	:	:
NL	3.0	14.2	30.9	14.9	37.0
A	2.3	14.4	..	..	..
P	0.4	31.2	17.3	14.6	36.5
FIN	15.1	..	15.8	11.6	..
S	4.1	36.0	24.0	12.0	23.9
UK	22.7	12.4	13.4	9.1	42.5
IS	52.4	15.3	23.5	0.0	0.0
NO	0.0	55.5	15.4	12.6	16.5

Source: Eurostat.

Key figures by country — 1996

	Enterprises	Total employment	Turnover ECU million
EU-15	778 713	3 916 455	249 508
EUR-11	578 136	3 108 849	187 881
B	11 207	136 636	9 005
DK	7 529	37 219	3 564
D	91 062	590 644	48 837
EL	:	:	:
E	196 277	578 006	:
F	76 283	690 637	40 087
IRL	2 603	24 570	2 300
I	139 011	559 767	34 257
L	:	:	:
NL	13 515	234 971	:
A	..	..	..
P	17 847	87 078	..
FIN	20 628	60 042	4 261
S	12 101	86 680	6 762
UK	152 601	628 755	41 540
IS	2 018	2 471	:
NO	16 352	50 260	3 562

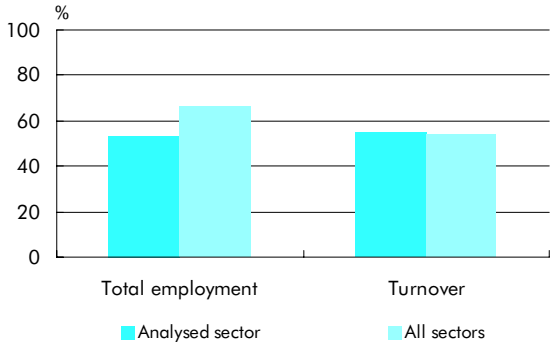
Source: Eurostat.

Water transport

The water transport sector (NACE 61) divides into maritime and coastal transport on the one hand and inland waterway transport on the other.

This sector accounts for only a very small share of the European economy: 0.08 % of the number of enterprises, i.e. slightly more than 15 000 units, 0.1 % of employment, (slightly more than 157 000 persons) and 0.2 % of turnover (about ECU 36 billion). In 1996, SME employment in this sector declined by 11.6 % and turnover by 1.5 %. The trend is similar for the larger companies. Water transport accounts for almost 2 % of transport enterprises (excluding auxiliary transport services), 3.6 % of employment and 10.4 % of turnover in the sector.

SMEs' share of employment and turnover in European Union — 1996



Source: Eurostat.

Trends affecting SMEs and larger enterprises between 1995 and 1996 (%)

	EU-15		EUR-11	
	SMEs	Larger	SMEs	Larger
Enterprises	:	-17.4	:	-14.5
Total employment	-11.6	-15.2	-12.5	-13.4
Turnover	-1.5	-2.9	-7.8	:

Source: Eurostat.

Key figures by country — 1996

	Enterprises	Total employment	Turnover ECU million
EU-15	15 381	157 083	36 423
EUR-11	10 993	107 892	21 499
B	394	3 069	1 201
DK	412	10 287	3 989
D	2 504	23 768	3 518
EL	:	:	:
E	380	7 617	:
F	2 512	15 705	4 438
IRL	24	5 948	644
I	908	22 279	3 949
L	:	:	:
NL	3 694	17 988	:
A	..	..	..
P	138	2 440	..
FIN	304	8 485	1 787
S	445	13 382	2 971
UK	2 037	21 852	7 130
IS	47	1 278	:
NO	580	8 607	961

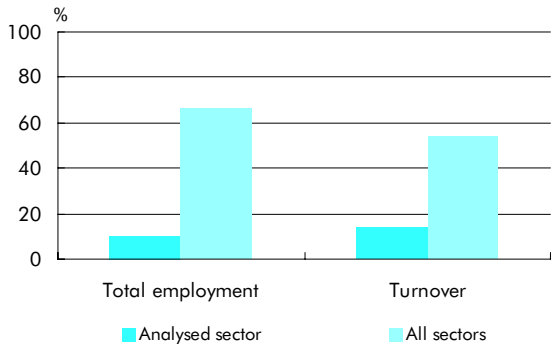
Source: Eurostat.

Breakdown of employment by size class (%) 1996

	Number of employees				
	Size class 0	1-9	10-49	50-249	250+
EU-15	7.5	9.5	12.7	23.4	46.9
EUR-11	8.1	10.2	14.4	24.8	42.5
B	11.7	7.8	19.6	..	..
DK	0.9	10.3	9.5	11.6	67.7
D	4.6	9.3	25.0	29.2	31.8
EL	:	:	:	:	:
E	2.0	8.5	24.8	..	..
F	15.3	8.5	8.8	18.4	49.1
IRL	:	:	..	..	..
I	1.9	4.4	9.5	30.9	53.3
L	:	:	:	:	:
NL	22.7	26.9	12.5	17.5	20.3
A	11.9	12.1	..	0.0	..
P	0.9	10.4	24.1	..	..
FIN	1.0	..	6.4	..	66.6
S	..	4.3	7.2	27.4	..
UK	6.0	9.2	9.2	..	..
IS	0.3	7.4	20.2	3.9	67.5
NO	0.0	13.0	15.6	16.2	55.2

Source: Eurostat.

SMEs' share of employment and turnover in European Union — 1996



Source: Eurostat.

Trends affecting SMEs and larger enterprises between 1995 and 1996 (%)

	EU-15		EUR-11	
	SMEs	Larger	SMEs	Larger
Enterprises	-2.3	:	1.2	:
Total employment	7.8	-2.9	7.6	-3.7
Turnover	7.4	5.3	-5.2	-1.3

Source: Eurostat.

Breakdown of employment by size class (%) 1996

	Number of employees				
	Size class 0	1-9	10-49	50-249	250+
EU-15	0.3	1.5	3.0	5.5	89.7
EUR-11	0.2	1.3	2.8	4.5	91.2
B	0.8	1.6	5.5	6.6	85.5
DK	0.0	..	..	..	0.0
D	0.1	2.2	4.0	4.3	89.4
EL	:	:	:	:	:
E	0.1	1.2	3.3	..	..
F	0.3	0.7	1.7	2.7	94.6
IRL	:	:	..	..	..
I	0.1	1.0	3.0	7.0	88.8
L	:	:	:	:	:
NL	0.1	0.7	0.7	..	..
A	0.2	2.5	..	..	..
P	..	1.1	3.2	..	93.1
FIN	0.2	1.3	2.4	..	..
S	..	1.5	3.8	5.5	..
UK	0.4	2.2	3.0	..	..
IS	0.1	1.5	2.1	3.4	92.8
NO	0.0	1.7	3.1	10.4	84.8

Source: Eurostat.

Air transport

The transport by air of passengers and goods (NACE 62) includes scheduled and non-scheduled flights and space transport, such as satellite launches.

Despite the small number of enterprises, this sector represents 7 % of total employment and more than 18 % of turnover generated by all transport activities (excluding auxiliary transport services) in the European Union. The small number of units is compensated for by an average workforce of 108 persons per enterprise. Large companies clearly predominate in this sector. They account for nearly nine workers in ten, and their turnover exceeds 86 % of the sector total. Around 20 % of the sector workforce in the EU is employed in each of Germany, France and the United Kingdom, and around 10 % in Spain and the Netherlands.

Key figures by country — 1996

	Enterprises	Total employment	Turnover ECU million
EU-15	3 018	326 121	64 117
EUR-11	1 605	248 808	41 385
B	184	13 314	3 015
DK	5	207	9
D	415	63 020	7 712
EL	:	:	:
E	214	33 077	:
F	398	59 834	11 856
IRL	24	3 083	368
I	89	19 693	5 157
L	:	:	:
NL	59	30 081	:
A	..	..	..
P	55	10 368	1 131
FIN	78	7 856	629
S	124	10 125	2 060
UK	1 074	65 790	20 286
IS	21	1 699	:
NO	85	7 984	1 266

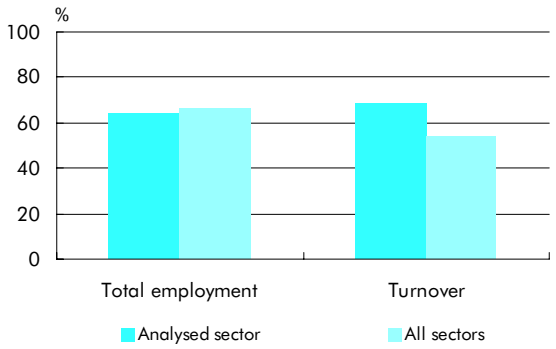
Source: Eurostat.

Auxiliary transport activities

Auxiliary transport activities (NACE 63) comprise handling and storage services, management of transport infrastructures (land, air and water), travel agencies activities and the organisation of freight transport.

The sector accounts for almost 15 % of transport enterprises (more than 137 000), more than 26 % of employment and 41 % of turnover. Auxiliary services make up a considerable share of the economy, representing 1.4 % of employment, with almost 1.6 million persons employed, and 1.4 % of turnover (nearly ECU 248 billion) at EU level. This growing sector is characterised particularly by growth in SME employment and turnover (+ 3.7 and + 5.4 % respectively), the trend for large companies being similar, but less marked.

SMEs' share of employment and turnover in European Union — 1996



Source: Eurostat.

Trends affecting SMEs and larger enterprises between 1995 and 1996 (%)

	EU-15		EUR-11	
	SMEs	Larger	SMEs	Larger
Enterprises	1.5	:	3.8	:
Total employment	3.7	2.8	5.9	5.3
Turnover	5.4	4.7	5.7	11.6

Source: Eurostat.

Key figures by country — 1996

	Enterprises	Total employment	Turnover ECU million
EU-15	137 170	1 584 329	247 883
EUR-11	97 201	1 251 855	182 889
B	3 747	37 136	13 108
DK	1 177	18 847	3 055
D	33 582	439 723	52 135
EL	:	:	:
E	16 730	128 254	:
F	8 863	223 890	36 447
IRL	790	22 476	2 982
I	19 905	192 454	26 984
L	:	:	:
NL	7 150	129 819	:
A	..	..	..
P	2 963	26 940	3 503
FIN	1 370	18 856	3 090
S	2 255	34 731	9 868
UK	31 909	262 586	47 965
IS	95	704	:
NO	2 508	19 484	4 137

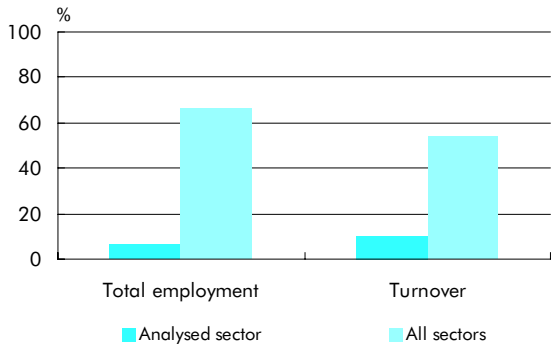
Source: Eurostat.

Breakdown of employment by size class (%) 1996

	Number of employees				
	Size class 0	1-9	10-49	50-249	250+
EU-15	3.5	17.0	23.4	20.6	35.5
EUR-11	2.6	17.7	25.0	20.9	33.8
B	6.3	16.2	25.9	..	..
DK	..	14.6	..	..	..
D	2.0	20.1	30.6	17.8	29.6
EL	:	:	:	:	:
E	5.7	29.0	22.5	18.8	24.1
F	1.4	8.1	17.6	24.8	48.1
IRL	:	:	15.7	..	..
I	2.4	20.0	25.6	23.0	29.0
L	:	:	:	:	:
NL	3.7	14.2	22.3	23.0	36.8
A	2.1	12.1	..	27.4	..
P	1.0	24.5	33.1	19.4	21.9
FIN	1.4	12.4	17.8	24.8	43.6
S	1.8	12.7	19.1	22.5	43.9
UK	7.5	14.5	16.0	17.9	44.2
IS	1.1	22.6	26.7	31.0	17.9
NO	0.0	24.4	29.1	27.3	19.2

Source: Eurostat.

SMEs' share of employment and turnover in European Union — 1996



Source: Eurostat.

Trends affecting SMEs and larger enterprises between 1995 and 1996 (%)

	EU-15		EUR-11	
	SMEs	Larger	SMEs	Larger
Enterprises	1.1	-1.3	8.2	9.1
Total employment	-0.9	-1.9	10.9	-0.6
Turnover	:	:	:	:

Source: Eurostat.

Post and telecommunications

The post and telecommunications sector (NACE 64) comprises, on the one hand, postal and courier services carried out by national administrations or private entities and, on the other, all activities relating to telecommunications: radio and television broadcasting, telephone communications and the transmission of information by satellite.

Almost 2.3 million persons in the European Union (2 % of the total workforce), are employed in this sector, despite the small number of enterprises (only 0.2 % of the EU total). The structure by enterprise size reveals a very strong concentration of employment in the larger companies, more than 93 % of total employment being concentrated in them, with an average workforce of 54 persons per company. Less than 10 % of turnover is generated by SMEs.

Breakdown of employment by size class (%) 1996

	Number of employees				
	Size class 0	1-9	10-49	50-249	250+
EU-15	1.5	1.7	1.7	1.4	93.7
EUR-11	0.6	1.4	1.6	1.2	95.3
B	6.2	1.7	3.9	3.9	84.3
DK	0.1	0.6	1.9	..	..
D	0.2	1.1	0.4	0.2	98.1
EL	:	:	:	:	:
E	2.4	5.9	8.5	5.9	77.3
F	0.2	0.5	1.0	0.8	97.6
IRL	:	:	6.2	..	..
I	0.2	0.7	0.7	0.5	97.9
L	:	:	:	:	:
NL	1.5	3.0	3.4	..	..
A	0.1	0.9	..	..	..
P	..	1.2	1.9	1.6	..
FIN	0.2	1.1	3.4	7.3	87.9
S	0.1	0.6	0.6	1.5	97.1
UK	5.5	3.3	2.3	2.3	86.6
IS	0.0	0.3	0.8	0.0	98.8
NO	:	:	:	:	:

Source: Eurostat.

Key figures by country — 1996

	Enterprises	Total employment	Turnover ECU million
EU-15	42 561	2 287 248	195 626
EUR-11	16 701	1 792 219	142 370
B	2 132	36 049	5 026
DK	58	18 241	2 783
D	3 519	624 026	34 957
EL	:	:	:
E	4 807	124 503	:
F	1 612	452 137	38 653
IRL	522	11 805	1 180
I	1 557	289 557	26 174
L	:	:	:
NL	1 601	106 270	:
A	..	..	..
P	222	37 939	3 428
FIN	387	45 225	3 252
S	233	78 153	8 094
UK	24 154	393 714	41 016
IS	12	4 518	:
NO	:	:	:

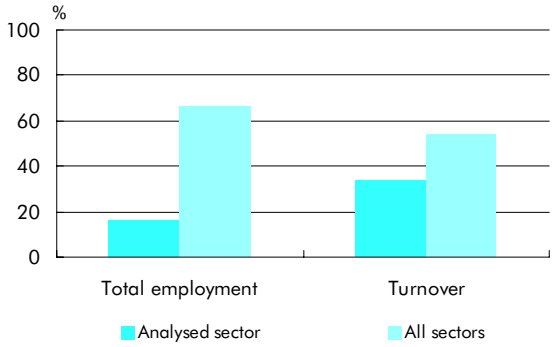
Source: Eurostat.

Banking and insurance

Banking and insurance (NACE 65 and 66) cover all financial and monetary intermediation activities, plus the various categories of insurance: life, sickness and vehicle insurance and pension funds.

Despite the low number of units (0.3 % of all EU enterprises), this sector employs about 3.9 million persons and its turnover exceeds ECU 3 500 billion, which accounts for respectively 3.5 and 20.7 % of all economic activities. Nevertheless, the sector has been in decline since 1995, affecting both the number of SMEs and large companies and the size of the workforce. The turnover also decreased for SMEs, but that of large enterprises rose in the euro-zone.

SMEs' share of employment and turnover in European Union — 1996



Source: Eurostat.

Trends affecting SMEs and larger enterprises between 1995 and 1996 (%)

	EU-15		EUR-11	
	SMEs	Larger	SMEs	Larger
Enterprises	-7.9	-6.6	-1.7	-7.0
Total employment	-5.0	-0.6	-4.0	-1.2
Turnover	-9.8	:	-1.6	7.6

Source: Eurostat.

Key figures by country — 1996

	Enterprises	Total employment	Turnover ECU million
EU-15	61 180	3 891 414	3 594 269
EUR-11	37 157	2 968 986	1 261 459
B	909	95 612	4 016
DK	1 034	75 470	16 290
D	4 622	1 060 025	:
EL	:	:	:
E	4 531	340 660	:
F	12 540	548 665	375 298
IRL	:	:	:
I	:	:	:
L	:	:	:
NL	1 628	178 486	:
A	:	:	:
P	746	..	..
FIN	1 427	42 248	42 070
S	:	:	:
UK	21 425	759 955	2 272 601
IS	215	4 463	:
NO	:	:	:

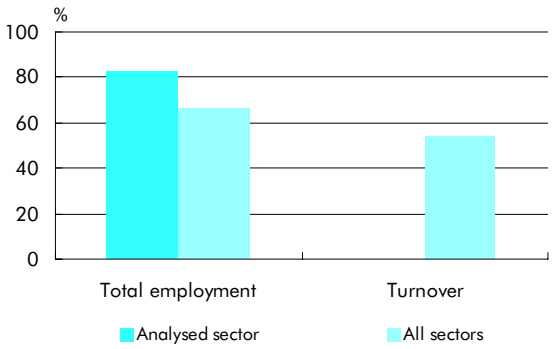
Source: Eurostat.

Breakdown of employment by size class (%) 1996

	Number of employees				
	Size class 0	1-9	10-49	50-249	250+
EU-15	0.7	1.9	4.8	8.4	84.2
EUR-11	0.6	1.5	5.3	8.8	83.9
B	0.3	..	6.4	6.8	..
DK	0.2	1.1	4.2	11.5	83.0
D	0.0	0.6	5.8	8.2	85.4
EL	:	:	:	:	:
E	0.3	2.7	2.9	8.5	85.6
F	1.6	1.3	3.1	6.9	87.1
IRL	:	:	:	:	:
I	:	:	:	:	:
L	:	:	:	:	:
NL	0.0	..	..	8.0	86.7
A	:	:	:	:	:
P	0.4	0.9	5.6	..	..
FIN	0.8	4.6	11.6	..	..
S	:	:	:	:	:
UK	1.3	3.4	3.0	..	..
IS	0.6	5.5	16.3	7.8	69.5
NO	:	:	:	:	:

Source: Eurostat.

SMEs' share of employment and turnover in European Union — 1996



Source: Eurostat.

Trends affecting SMEs and larger enterprises between 1995 and 1996 (%)

	EU-15		EUR-11	
	SMEs	Larger	SMEs	Larger
Enterprises	-2.9	17.6	-1.2	36.4
Total employment	-2.1	:	-1.9	:
Turnover	:	4.9	14.9	:

Source: Eurostat.

Breakdown of employment by size class (%) 1996

	Number of employees				
	Size class 0	1-9	10-49	50-249	250+
EU-15	21.8	39.2	11.4	9.9	17.7
EUR-11	26.2	49.3	9.9	7.6	7.0
B	14.3	..	8.0	8.6	..
DK	6.1	:	:	:	13.5
D	26.5	61.4	4.8	3.8	3.4
EL	:	:	:	:	:
E	53.0	28.6	9.8	5.7	3.0
F	16.8	31.4	16.9	18.4	16.6
IRL	:	:	:	:	:
I	24.2	69.8	6.0	0.0	0.0
L	:	:	:	:	:
NL	:	..	..	:	:
A	:	:	:	:	:
P	20.5	56.9	..	..	0.0
FIN	20.1	21.0	38.8	..	..
S	:	:	:	:	:
UK	11.4	15.0	14.6	..	..
IS	:	:	:	:	:
NO	0.0	73.8	26.2	0.0	0.0

Source: Eurostat.

Activities auxiliary to financial intermediation

NACE 67 covers services related to financial intermediation and the management of insurance and pension funds, these services being not in themselves financial intermediation. The sector includes portfolio management, the activities of foreign exchange offices and the activities of insurance agents.

At EU level, SMEs employ more than 8 persons out of 10. In Italy, all employment in the sector is in enterprises with fewer than 50 employees. Italy accounts for 13 % of employment in the European Union in this sector.

Key figures by country — 1996

	Enterprises	Total employment	Turnover ECU million
EU-15	246 837	768 918	417 446
EUR-11	213 603	541 017	46 609
B	1 607	10 570	650
DK	591	4 953	277
D	88 341	195 837	:
EL	:	:	:
E	30 093	79 313	:
F	20 974	88 910	11 977
IRL	:	:	:
I	54 507	102 543	5 468
L	:	:	:
NL	10 005	44 286	:
A	:	:	:
P	3 919	..	..
FIN	1 035	2 135	1 356
S	:	:	:
UK	30 120	212 774	365 750
IS	:	:	:
NO	560	1 211	192

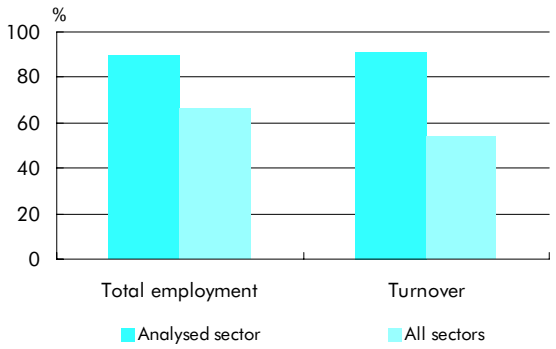
Source: Eurostat.

Real estate and renting activities

This field includes activities such as the promotion of real estate, the buying and selling of real estate for own account and the administration of real estate for account of third parties (NACE 70). It also includes the hiring of means of transport, machinery and equipment, and personal and domestic goods (NACE 71).

SMEs are well represented in this sector, which is quite important in terms of the number of enterprises (more than 5 % of enterprises in the economy as a whole): nine jobs out of 10 are in SMEs (and 64 % of total employment in units with fewer than 10 employees), which generate 91 % of turnover. The average workforce is two persons per company, compared with six per company in the economy as a whole. Germany and France together account for about half of enterprises and employment in the sector.

SMEs' share of employment and turnover in European Union — 1996



Source: Eurostat.

Trends affecting SMEs and larger enterprises between 1995 and 1996 (%)

	EU-15		EUR-11	
	SMEs	Larger	SMEs	Larger
Enterprises	3.9	:	5.7	:
Total employment	3.4	-2.8	5.2	5.4
Turnover	8.5	:	9.3	:

Source: Eurostat.

Key figures by country — 1996

	Enterprises	Total employment	Turnover ECU million
EU-15	943 970	2 209 161	341 575
EUR-11	758 808	1 664 267	282 983
B	13 859	42 669	5 672
DK	3 880	13 085	1 477
D	260 526	547 008	144 958
EL	:	:	:
E	71 721	181 975	:
F	242 316	544 231	69 258
IRL	3 125	11 479	6 751
I	112 889	180 238	16 246
L	:	:	:
NL	25 580	66 308	:
A	4 870	26 230	7 133
P	15 248	40 175	3 630
FIN	8 016	21 789	1 751
S	31 495	70 537	6 315
UK	140 696	444 843	47 836
IS	584	734	:
NO	13 551	27 410	3 886

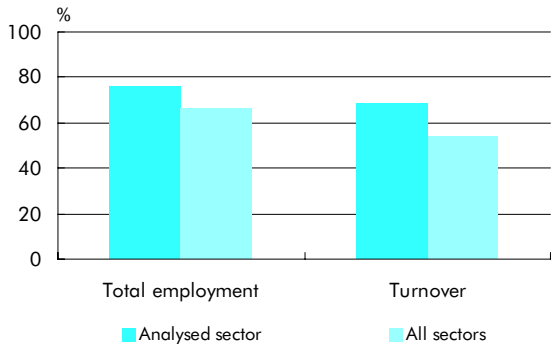
Source: Eurostat.

Breakdown of employment by size class (%) 1996

	Number of employees				
	Size class 0	1-9	10-49	50-249	250+
EU-15	31.9	32.5	14.4	11.2	10.1
EUR-11	35.2	33.1	14.0	10.7	7.0
B	40.0	40.6	..	..	2.6
DK	10.0	50.3	20.0	..	..
D	35.2	29.7	14.4	11.8	8.9
EL	:	:	:	:	:
E	:	:	16.6	..	..
F	44.2	22.2	12.3	11.6	9.7
IRL	:	:	..	13.2	..
I	42.8	50.4	4.4	1.8	0.7
L	:	:	:	:	:
NL	..	27.4	..	23.0	5.2
A	6.9	32.0	22.5	32.3	6.3
P	2.6	64.6	20.6	..	..
FIN	12.4	38.9	25.4	..	..
S	..	23.8	..	18.6	19.0
UK	20.7	31.0	15.7	11.8	20.8
IS	13.6	68.1	14.7	0.0	0.0
NO	0.0	57.5	17.9	8.4	16.1

Source: Eurostat.

SMEs' share of employment and turnover in European Union — 1996



Source: Eurostat.

Trends affecting SMEs and larger enterprises between 1995 and 1996 (%)

	EU-15		EUR-11	
	SMEs	Larger	SMEs	Larger
Enterprises	5.8	7.2	7.5	10.3
Total employment	4.9	:	5.0	:
Turnover	12.1	19.7	13.8	23.7

Source: Eurostat.

Breakdown of employment by size class (%) 1996

	Number of employees				
	Size class 0	1-9	10-49	50-249	250+
EU-15	8.1	25.6	21.8	20.2	24.4
EUR-11	7.5	22.3	24.4	21.9	23.9
B	21.4	13.4	22.5	25.0	17.8
DK	5.8	14.7	..	25.5	..
D	5.0	15.0	29.3	25.6	25.1
EL	:	:	:	:	:
E	17.9	18.5	19.2	21.9	22.5
F	4.0	18.5	23.9	23.4	30.3
IRL	:	:	25.3	36.9	13.4
I	6.1	42.2	22.4	12.4	16.9
L	:	:	:	:	:
NL	14.3	14.0	..	..	..
A	15.2	23.4	20.6	29.8	10.9
P	5.2	49.9	25.2	..	..
FIN	5.2	22.1	21.1	28.4	23.3
S	6.3	19.9	20.5	19.7	33.6
UK	10.2	37.5	13.6	14.3	24.5
IS	13.5	28.3	40.6	0.0	16.9
NO	0.0	22.5	21.2	18.0	38.3

Source: Eurostat.

Computer activities

Computer and related activities (NACE 72) are a relatively new sector, and include numerous aspects of the information technology industry. The services and products include, inter alia, the writing of software, data processing, the creation of data banks, IT systems consultancy and the maintenance and repair of computer equipment.

These activities are experiencing strong growth: the number of SMEs increased by almost 6 % in 1996, that of large enterprises by more than 7 %, their total number reaching 245 000 units. Employment increased in SMEs and reached 1.3 million persons employed in the whole sector. Lastly, SME turnover, at ECU 80 billion, increased by more than 12 % between 1995 and 1996, and that of larger enterprises by nearly 20 %. SMEs dominate the sector, accounting for 76 % of the workforce and 69 % of turnover.

Key figures by country — 1996

	Enterprises	Total employment	Turnover ECU million
EU-15	244 904	1 320 687	116 468
EUR-11	142 658	951 976	80 714
B	7 047	31 364	3 399
DK	2 868	21 572	2 395
D	35 332	309 331	21 936
EL	:	:	:
E	13 449	75 595	:
F	17 752	213 218	20 669
IRL	955	7 757	597
I	47 263	200 048	16 236
L	:	:	:
NL	..	..	:
A	3 954	17 447	2 190
P	2 852	..	..
FIN	2 878	16 526	1 727
S	5 514	37 608	4 809
UK	91 621	301 633	26 519
IS	393	788	:
NO	2 893	15 675	2 044

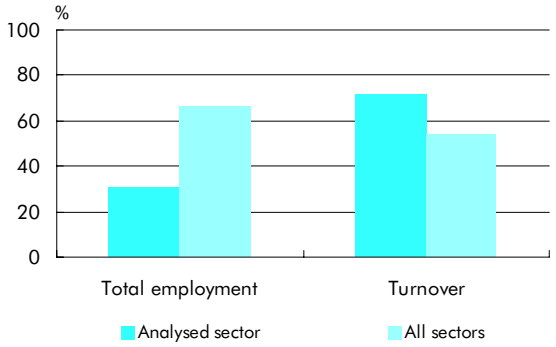
Source: Eurostat.

Research and development

This sector (NACE 73) comprises research and development activities in physical and natural sciences and in the social sciences.

Germany is the main employer in this sector, with two-thirds of EU employment concentrated there. It has the largest research and development laboratories: the average company workforce is 58, compared with 15 in the European Union as a whole. In addition, 82.7 % of employment in Germany is provided by large enterprises, compared with 70 % in the European Union.

SMEs' share of employment and turnover in European Union — 1996



Source: Eurostat.

Trends affecting SMEs and larger enterprises between 1995 and 1996 (%)

	EU-15		EUR-11	
	SMEs	Larger	SMEs	Larger
Enterprises	3.0	2.5	3.5	2.4
Total employment	3.5	1.5	4.8	1.4
Turnover	13.0	:	11.7	:

Source: Eurostat.

Key figures by country — 1996

	Enterprises	Total employment	Turnover ECU million
EU-15	32 004	477 015	39 327
EUR-11	25 241	422 255	32 466
B	294	8 570	545
DK	255	1 993	199
D	5 521	319 011	2 552
EL	:	:	:
E	10 136	23 047	:
F	1 072	23 181	3 010
IRL	..	..	22
I	6 205	18 941	1 536
L	:	:	:
NL	..	..	:
A	52	1 197	61
P	57	..	..
FIN	167	1 164	451
S	528	6 809	671
UK	5 647	44 844	5 698
IS	27	91	:
NO	:	:	:

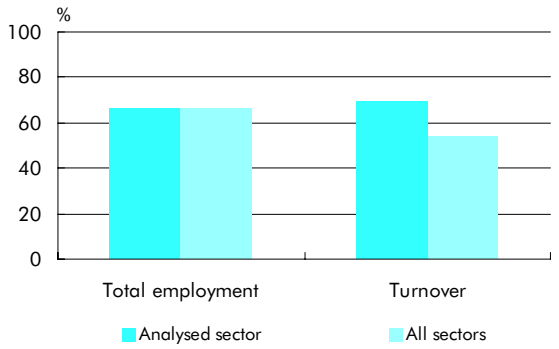
Source: Eurostat.

Breakdown of employment by size class (%) 1996

	Number of employees				
	Size class 0	1-9	10-49	50-249	250+
EU-15	6.0	4.2	8.8	11.7	69.3
EUR-11	5.6	3.4	8.4	10.1	72.6
B	2.7	3.8	10.8	46.7	36.0
DK	0.0	7.9	31.1	25.8	35.3
D	0.7	1.9	7.0	7.7	82.7
EL	:	:	:	:	:
E	..	6.1	8.5	..	..
F	3.1	11.3	18.4	23.7	43.4
IRL	:	:	..	..	0.0
I	27.1	12.2	11.1	16.7	32.9
L	:	:	:	:	:
NL	..	5.0	13.3	11.8	..
A	1.8	3.8	17.0	..	..
P	2.3	25.0	..	..	0.0
FIN	2.7	17.0	35.9	..	..
S	5.8	5.9	10.7	22.4	55.3
UK	9.6	11.1	11.1	24.7	43.4
IS	3.3	53.8	42.9	0.0	0.0
NO	:	:	:	:	:

Source: Eurostat.

SMEs' share of employment and turnover in European Union — 1996



Source: Eurostat.

Trends affecting SMEs and larger enterprises between 1995 and 1996 (%)

	EU-15		EUR-11	
	SMEs	Larger	SMEs	Larger
Enterprises	1.4	-4.2	2.3	-4.8
Total employment	1.7	9.8	2.4	13.3
Turnover	-13.2	8.8	7.6	8.8

Source: Eurostat.

Breakdown of employment by size class (%) 1996

	Number of employees				
	Size class 0	1-9	10-49	50-249	250+
EU-15	12.6	23.0	17.3	13.3	33.8
EUR-11	11.6	22.9	17.3	13.2	35.1
B	24.0	14.7	8.6	7.7	45.0
DK	9.4	26.0	..	15.9	..
D	4.7	19.2	19.4	9.3	47.3
EL	..	31.6	20.6	9.8	..
E	21.3	22.9	14.1	15.6	26.1
F	8.7	20.3	19.6	16.5	34.9
IRL	3.2	31.6	26.9	..	..
I	26.5	39.3	13.4	11.6	9.2
L	8.6	17.7	22.6	35.8	15.3
NL	10.3	15.3	14.8	22.9	36.6
A	6.1	33.0	22.9	..	..
P	1.2	37.7	15.2	16.3	29.6
FIN	8.5	33.6	18.9	20.1	18.9
S	..	36.5	..	14.4	..
UK	16.6	22.0	16.6	13.8	31.0
IS	23.3	35.4	17.6	5.8	11.0
NO	0.0	34.6	19.2	13.1	33.1

Source: Eurostat.

Other business activities

This sector (NACE 74) encompasses various activities such as legal and accounting activities, management consultancy, market research, architectural activities, advertising, the selection and supply of personnel, and investigation, security and cleaning activities.

This sector is of considerable importance in the European Union, involving 12 % of European enterprises and employing more than 11 million persons. The share of SMEs is much higher than the average in terms of turnover (nearly 70 %, compared with 55 % in the economy as a whole).

Key figures by country — 1996

	Enterprises	Total employment	Turnover ECU million
EU-15	2 234 226	11 197 059	733 048
EUR-11	1 659 312	8 783 655	556 658
B	71 611	377 546	22 919
DK	22 721	138 431	9 589
D	394 137	3 300 723	222 852
EL	40 579	74 407	:
E	285 640	1 127 030	:
F	237 776	1 775 302	134 395
IRL	9 269	66 978	3 033
I	500 276	1 119 189	64 351
L	2 608	20 375	1 192
NL	69 681	582 215	:
A	23 016	150 912	11 087
P	41 912	179 807	6 562
FIN	23 386	83 578	6 250
S	40 928	186 087	16 026
UK	470 686	2 014 479	137 126
IS	3 658	4 675	:
NO	26 900	114 738	9 425

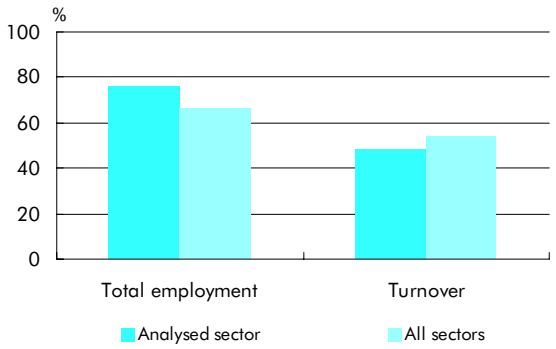
Source: Eurostat.

Recreational, cultural and sporting activities

The sector of recreational, cultural and sporting activities (NACE 92) includes a wide range of activities: entertainment, such as film production and distribution, radio and television programmes, theatre and other shows. It also covers press agencies, cultural activities such as library, museums and natural treasures management, and activities connected with sport.

Just under two million people work in this sector in the European Union. The United Kingdom accounts for nearly four enterprises out of 10, three jobs out of 10, and 1/5 of turnover of the sector in Europe, mainly in radio and television, other entertainment activities and activities connected with sport and recreation.

SMEs' share of employment and turnover in European Union — 1996



Source: Eurostat.

Trends affecting SMEs and larger enterprises between 1995 and 1996 (%)

	EU-15		EUR-11	
	SMEs	Larger	SMEs	Larger
Enterprises	3.2	0.2	6.0	:
Total employment	0.3	5.9	0.8	-0.5
Turnover	8.3	0.7	9.8	2.2

Source: Eurostat.

Key figures by country — 1996

	Enterprises	Total employment	Turnover ECU million
EU-15	486 228	1 918 611	200 251
EUR-11	289 738	1 323 725	147 839
B	13 541	50 961	2 575
DK	1 450	8 041	745
D	90 526	471 712	30 927
EL	:	:	:
E	48 095	248 013	:
F	54 912	248 259	26 079
IRL	:	:	:
I	51 498	127 061	11 310
L	:	:	:
NL	14 513	93 615	:
A	:	:	:
P	4 956	21 603	1 154
FIN	3 448	15 352	2 353
S	3 545	29 147	5 023
UK	187 944	548 219	44 651
IS	1 511	1 776	:
NO	958	7 043	763

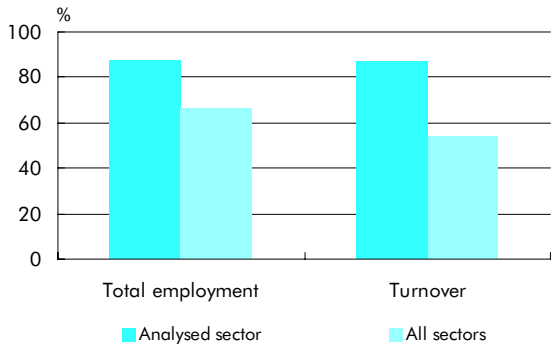
Source: Eurostat.

Breakdown of employment by size class (%) 1996

	Number of employees				
	Size class 0	1-9	10-49	50-249	250+
EU-15	19.6	24.6	18.9	12.7	24.2
EUR-11	14.9	29.1	21.2	12.1	22.7
B	34.4	18.0	12.3	15.7	19.6
DK	11.1	31.5	29.2	..	..
D	8.2	32.6	24.4	10.3	24.4
EL	:	:	:	:	:
E	16.4	24.7	23.6	12.8	22.5
F	26.0	23.9	18.9	11.7	19.5
IRL	:	:	:	:	:
I	23.4	45.8	8.9	5.6	16.3
L	:	:	:	:	:
NL	0.0	22.8	28.8	24.1	24.2
A	:	:	:	:	:
P	3.0	38.3	15.0	13.9	29.8
FIN	8.2	19.5	13.9	10.2	48.2
S	5.0	20.5	18.6	19.1	36.8
UK	31.7	14.0	13.0	..	..
IS	29.0	30.5	22.2	4.8	11.7
NO	0.0	21.0	15.1	4.4	59.6

Source: Eurostat.

SMEs' share of employment and turnover in European Union — 1996



Source: Eurostat.

Trends affecting SMEs and larger enterprises between 1995 and 1996 (%)

	EU-15		EUR-11	
	SMEs	Larger	SMEs	Larger
Enterprises	-0.6	:	0.1	:
Total employment	-0.7	:	-0.4	7.7
Turnover	4.7	:	3.7	:

Source: Eurostat.

Personal services

Personal services (NACE 93) include various services such as dry-cleaning, hairdressing and beauty treatment, funeral activities and activities connected with physical well-being.

This sector, with nearly 670 000 enterprises, more than two million persons employed and turnover of ECU 72 billion, accounts for 3.6 % of the number of enterprises, 1.8 % of employment and 0.4 % of turnover in the European Union. Large enterprises account for a very small share of both employment (less than 13 %) and turnover (just 13 % of the total). The average number of persons employed per enterprise is three, compared with six for the economy as a whole. Employment in SMEs fell very slightly (– 0.7 %) in this sector in 1996.

Breakdown of employment by size class (%) 1996

	Number of employees				
	Size class 0	1-9	10-49	50-249	250+
EU-15	19.9	49.3	13.7	4.7	12.4
EUR-11	21.0	53.4	14.5	5.0	6.2
B	47.2	39.7	..	..	..
DK	24.9	49.5	10.5	..	..
D	9.2	50.6	21.4	6.2	12.6
EL	:	:	:	:	:
E	35.5	50.2	10.2	..	..
F	23.9	60.7	9.9	2.8	2.7
IRL	:	:	:	:	:
I	34.1	58.7	4.0	2.8	0.5
L	:	:	:	:	:
NL	22.2	43.2	19.2	8.2	7.1
A	:	:	:	:	:
P	1.8	82.3	..	..	..
FIN	45.6	30.2	12.0	..	..
S	10.6	50.1	14.5	..	..
UK	15.2	33.8	10.7	..	..
IS	18.7	43.3	19.3	10.0	0.0
NO	0.0	72.3	21.1	5.0	1.5

Source: Eurostat.

Key figures by country — 1996

	Enterprises	Total employment	Turnover ECU million
EU-15	669 649	2 049 293	71 710
EUR-11	555 266	1 594 500	54 474
B	28 088	70 333	1 417
DK	6 362	18 220	632
D	145 362	618 770	30 920
EL	:	:	:
E	71 748	173 111	:
F	85 650	271 988	7 366
IRL	:	:	:
I	162 061	277 814	5 653
L	:	:	:
NL	19 354	64 278	:
A	:	:	:
P	20 185	..	..
FIN	10 287	10 972	508
S	3 138	14 065	698
UK	98 072	411 548	14 044
IS	1 285	1 946	:
NO	7 044	14 944	994

Source: Eurostat.

Country analyses 3

17 countries in the European Economic Area, EUR-11 and EU-15 analysed

How many enterprises are there in France? How significant to the economy are large enterprises and SMEs in Sweden? What economic weight do financial activities have in Portugal? Are SMEs more competitive than large firms? Is the manufacturing sector more productive in Germany than in Italy?

This chapter seeks to answer these questions. The key information on the population of enterprises is given on a single, identically-structured page for each Member State of the Europe of Fifteen, Iceland, Norway, the euro-zone and the EU as a whole.

Structure of the 'country' page

The structure of each page is identical.

— A first table shows the basic data: numbers of enterprises ([1]), employment and turnover ([2]) broken down by employee size class and economic sector.

The employee size classes are as follows:

- without employees;
- very small (1 to 9 employees);
- small (10 to 49 employees);
- medium (50 to 249 employees);
- large (250 or more employees).

The sectoral breakdown covers seven economic domains:

- industry and energy (extractive industries, manufacturing and energy) (NACE Rev. 1, divisions 10 to 41);
- construction (building and civil engineering) (NACE Rev. 1, division 45);
- trade and HoReCa (wholesaling, retailing, intermediary trading, repair, catering and accommodation) (NACE Rev. 1, divisions 50 to 55);
- transport and communication (land, air and water transport, transport intermediaries, post and telecommunications) (NACE Rev. 1, divisions 60 to 64);
- financial intermediation (financial intermediation, insurance, activities auxiliary to financial intermediation and insurance) (NACE Rev. 1, divisions 65 to 67);
- other business activities (operational services like security and cleaning, labour recruitment and provision of personnel, advertising, professional services, consultancy) (NACE Rev. 1, division 74);
- other services (real estate activities, renting, computer and related activities, research and development, health and social work, waste management, recreational, cultural and sporting activities, personal services) (NACE Rev. 1, divisions 70 to 73, 85, 90, 92 and 93).

— A graph shows each sector's share in employment by country and for the European Union as a whole.

— A second graph shows, for each sector, the economic weight of SMEs in total employment.

— Macroeconomic indicators on employment and gross domestic product (GDP) at market prices are shown for each country, the euro-zone and the European Union. The employment data here cover all sectors, including agriculture, forestry, fishing, public administration and non-market services.

Owing to methodological changes in the data received from several Member States, notably Belgium, Denmark, Germany and Portugal, the key figures reproduced in this part are not always directly comparable with those published in the Fifth Report.

NB: Figures in blue in any of the tables described above denote either Eurostat estimates or totals comprising at least one estimated value.

([1]) VAT units in Belgium and legal units in Finland.

([2]) Turnover at current prices. Gross production value in the case of Norway.

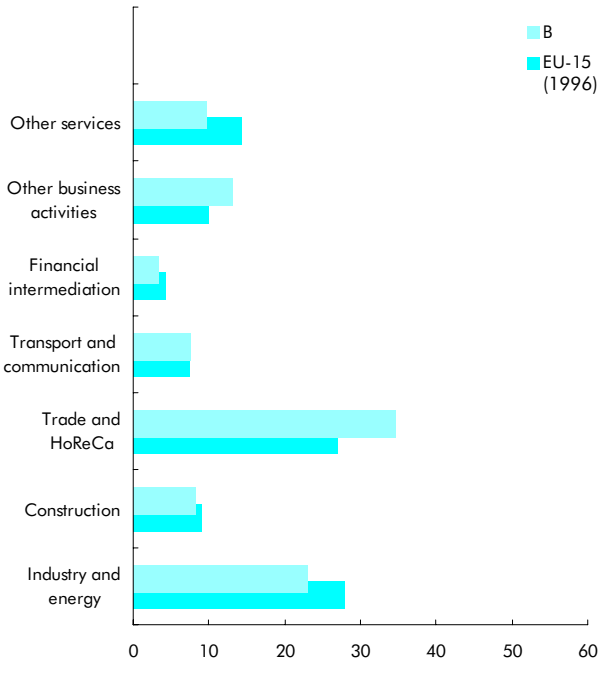
VAT units in Belgium — Key figures for 1997

		Number of employees 0 (in %)	1-9 (in %)	10-49 (in %)	50-249 (in %)	250+ (in %)	Total in 1 000s (1)
Industry and energy	VAT units	50.8	33.3	12.1	2.9	1.0	46.1
	Total employment	4.2	12.4	18.6	17.6	47.3	732.6
	Turnover	8.4	4.6	12.4	17.0	57.5	181 124.0
Construction	VAT units	66.7	28.2	4.5	0.5	0.1	67.8
	Total employment	22.6	32.4	25.3	12.3	7.3	265.8
	Turnover	19.8	25.1	27.5	16.9	10.7	23 566.2
Trade and HoReCa	VAT units	70.7	25.5	3.5	0.3	0.1	242.5
	Total employment	25.8	40.1	15.9	6.0	12.3	1 108.2
	Turnover	14.1	26.4	28.2	12.9	18.4	213 648.7
Transport and communication	VAT units	59.8	27.6	10.9	1.4	0.3	18.1
	Total employment	6.1	14.5	18.8	10.0	50.6	246.3
	Turnover	8.0	12.3	26.8	15.4	37.5	35 275.0
Financial intermediation	VAT units	50.5	33.1	12.1	2.4	1.9	2.5
	Total employment	1.6	6.0	6.5	7.1	78.8	107.6
	Turnover	10.8	10.1	24.9	19.9	34.4	5 378.9
Other business activities	VAT units	83.5	13.8	2.1	0.4	0.2	74.5
	Total employment	22.4	14.8	8.4	7.2	47.3	417.9
	Turnover	18.0	17.5	29.9	19.5	15.1	25 324.9
Other services	VAT units	80.0	17.3	2.1	0.5	0.1	69.7
	Total employment	26.1	21.0	10.4	16.6	25.8	313.2
	Turnover	24.7	19.8	21.2	19.7	14.6	17 032.3
All aggregates	VAT units	71.0	23.9	4.3	0.6	0.2	521.3
	Total employment	17.8	24.8	15.7	10.7	31.0	3 191.5
	Turnover	12.4	16.6	22.1	15.4	33.4	501 350.0

(1) Except turnover, expressed in ECU million.

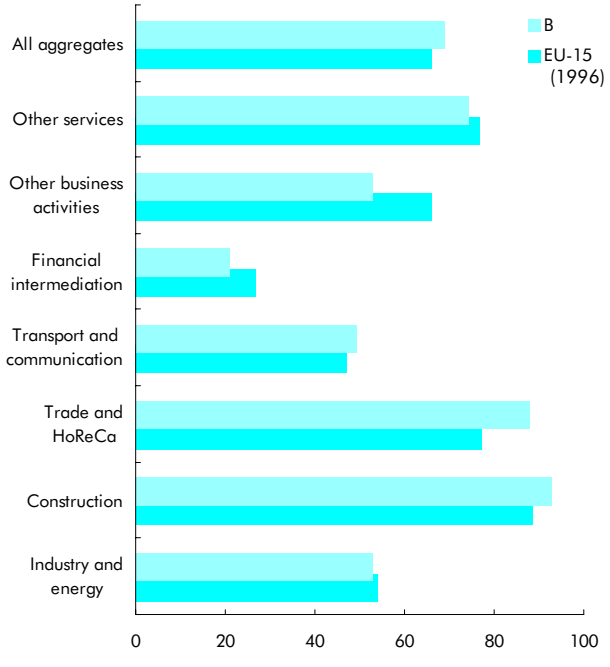
Source: Eurostat.

Shares of sectors in total employment (%) Belgium — 1997



Source: Eurostat.

Shares of SMEs in sectoral employment (%) Belgium — 1997



Source: Eurostat.

General macroeconomic indicators Belgium — 1997

	B	EU-15		B	EU-15
Total employment (1 000)	3 838	149 523	GDP at market prices (ECU billions)	172	5 931

Source: Eurostat.

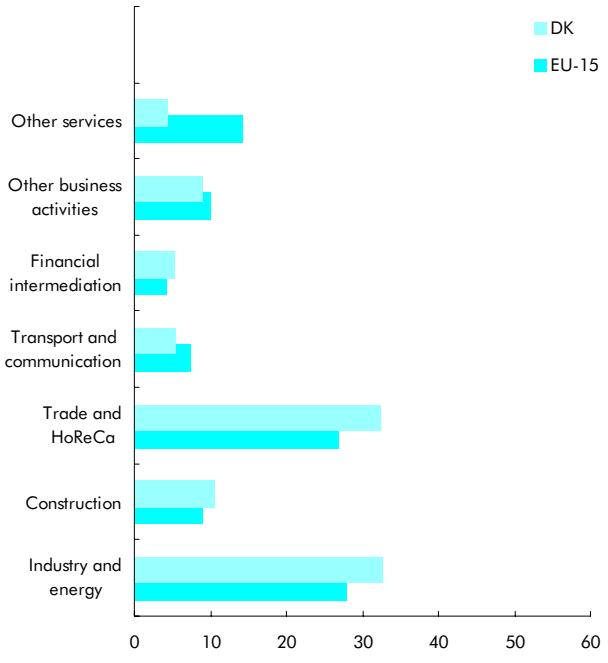
Enterprises in Denmark — Key figures for 1996

		Number of employees					
		0 (in %)	1-9 (in %)	10-49 (in %)	50-249 (in %)	250+ (in %)	Total in 1 000s ([1])
Industry and energy	Enterprises	42.6	35.3	16.3	4.7	1.1	24.1
	Total employment	1.7	10.2	20.2	25.9	41.9	504.1
	Turnover	4.5	6.1	16.6	24.3	48.5	73 302.2
Construction	Enterprises	41.7	46.8	10.5	0.9	0.1	23.3
	Total employment	5.7	34.5	33.5	13.1	13.2	162.9
	Turnover	9.6	26.1	29.1	15.7	19.6	14 756.4
Trade and HoReCa	Enterprises	48.3	43.0	7.6	0.9	0.1	67.1
	Total employment	6.8	32.5	25.8	13.6	21.4	499.4
	Turnover	6.9	19.7	27.3	19.3	26.8	105 540.6
Transport and communication	Enterprises	52.5	37.2	8.8	1.3	0.2	9.2
	Total employment	5.5	19.9	22.5	15.9	36.1	84.8
	Turnover	7.6	13.3	21.0	19.2	38.8	13 400.0
Financial intermediation	Enterprises	30.0	43.4	13.9	8.4	4.2	1.6
	Total employment	0.6	1.9	5.3	13.5	78.7	80.4
	Turnover	0.5	1.5	4.0	13.2	80.8	16 567.4
Other business activities	Enterprises	62.8	31.5	4.9	0.7	0.1	22.7
	Total employment	9.4	26.0	..	15.9	..	138.4
	Turnover	12.5	22.0	..	19.4	..	9 588.9
Other services	Enterprises	61.6	34.1	3.5	0.6	0.1	15.7
	Total employment	12.0	34.4	..	17.6	..	69.5
	Turnover	15.7	24.9	..	19.3	..	6 422.6
All aggregates	Enterprises	49.9	39.6	8.7	1.5	0.3	163.7
	Total employment	5.1	22.6	22.9	18.1	31.3	1 539.5
	Turnover	6.4	14.5	22.0	20.2	36.9	239 578.0

([1]) Except turnover, expressed in ECU million.

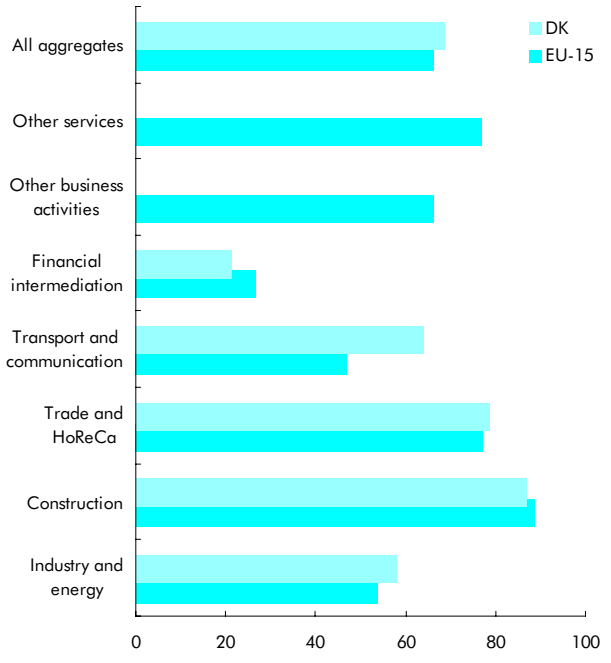
Source: Eurostat.

Shares of sectors in total employment (%) Denmark — 1996



Source: Eurostat.

Shares of SMEs in sectoral employment (%) Denmark — 1996



Source: Eurostat.

General macroeconomic indicators Denmark — 1996

	DK	EU-15		DK	EU-15
Total employment (1 000)	2 618	148 584	GDP at market prices (ECU billions)	118	5 778

Source: Eurostat.

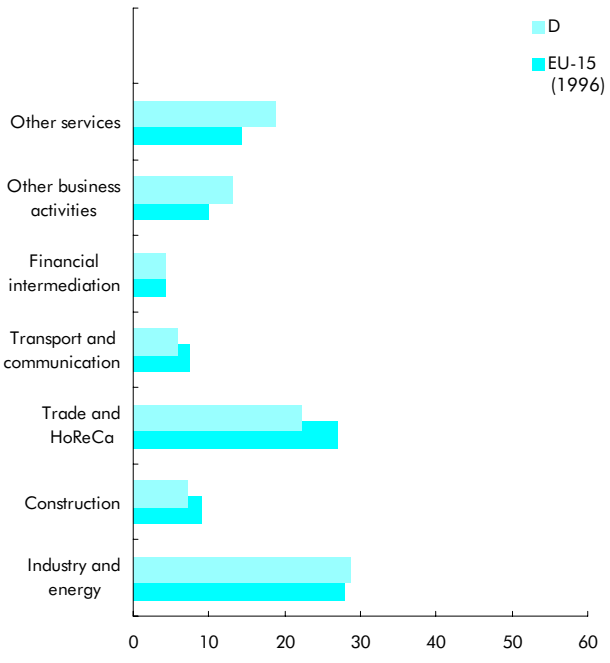
Enterprises in Germany — Key figures for 1997

		Number of employees					
		0	1-9	10-49	50-249	250+	Total
		(in %)	(in %)	(in %)	(in %)	(in %)	in 1 000s [1]
Industry and energy	Enterprises	20.4	52.0	20.8	5.0	1.8	324.1
	Total employment	0.8	8.7	14.9	15.8	59.8	8 334.2
	Turnover	0.2	3.2	8.0	18.0	70.5	1 454 808.2
Construction	Enterprises	18.4	59.0	20.7	1.8	0.2	320.7
	Total employment	2.9	29.2	41.4	16.1	10.4	2 061.1
	Turnover	0.8	19.3	36.9	25.8	17.1	231 233.2
Trade and HoReCa	Enterprises	39.7	51.6	7.9	0.7	0.1	1 054.5
	Total employment	6.6	31.9	23.6	9.0	28.9	6 376.3
	Turnover	2.0	17.1	24.0	29.3	27.6	1 241 824.3
Transport and communication	Enterprises	30.8	54.8	12.7	1.6	0.2	130.7
	Total employment	2.3	15.3	18.8	9.3	54.3	1 735.8
	Turnover	0.9	9.0	18.6	22.1	49.4	151 331.4
Financial intermediation	Enterprises	54.6	40.7	2.6	1.5	0.6	79.7
	Total employment	3.5	10.2	5.6	7.5	73.2	1 233.3
	Turnover	0.3	0.6	1.3	5.6	92.3	444 972.7
Other business activities	Enterprises	39.6	48.9	9.7	1.2	0.7	431.2
	Total employment	4.5	17.0	17.3	8.3	52.8	3 763.8
	Turnover	2.5	15.8	18.6	9.0	54.2	218 244.9
Other services	Enterprises	36.8	55.4	7.1	0.6	0.1	1 007.7
	Total employment	6.8	47.3	21.7	8.1	16.1	5 393.4
	Turnover	5.0	25.0	23.2	26.9	20.0	269 590.3
All aggregates	Enterprises	34.9	53.0	10.4	1.3	0.4	3 348.6
	Total employment	4.0	24.0	20.1	11.2	40.6	28 897.9
	Turnover	1.3	10.5	15.9	20.8	51.5	4 012 005.0

([1]) Except turnover, expressed in ECU million.

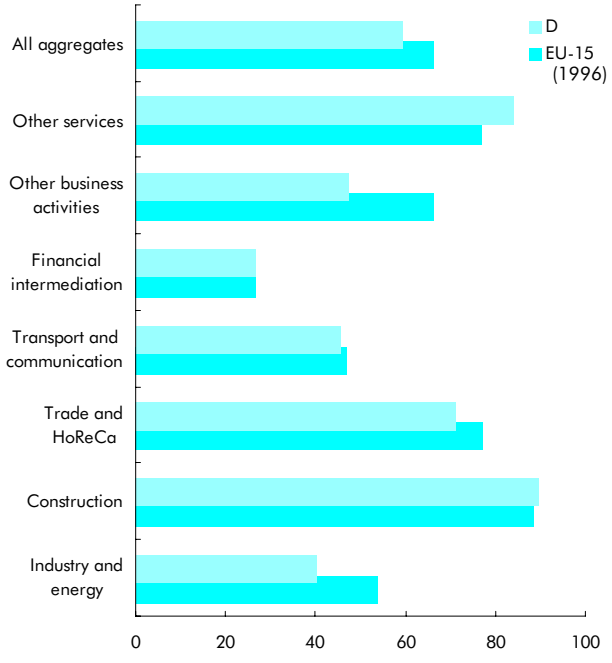
Source: Eurostat.

Shares of sectors in total employment (%) Germany — 1997



Source: Eurostat.

Shares of SMEs in sectoral employment (%) Germany — 1997



Source: Eurostat.

General macroeconomic indicators Germany — 1997

	D	EU-15		D	EU-15
Total employment (1 000)	35 299	149 523	GDP at market prices (ECU billions)	1 455	5 931

Source: Eurostat.

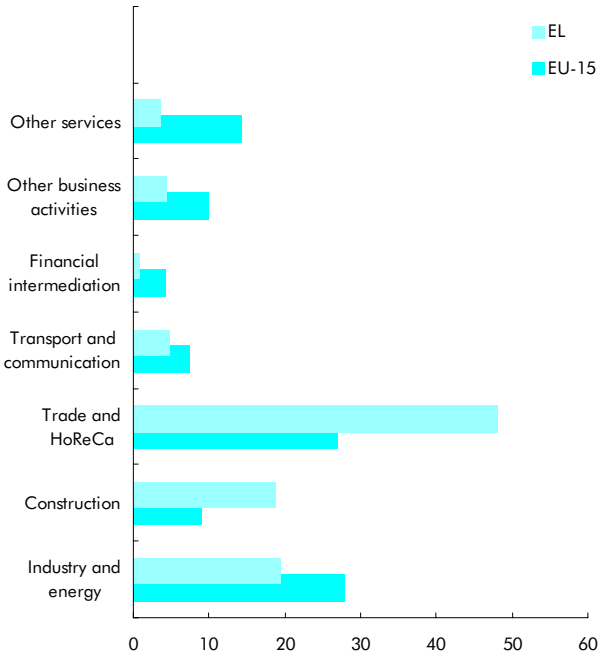
Enterprises in Greece — Key figures for 1996

		Number of employees 0 (in %)	1-9 (in %)	10-49 (in %)	50-249 (in %)	250+ (in %)	Total in 1 000s (1)
Industry and energy	Enterprises	37.2	43.5	16.0	2.8	0.5	32.9
	Total employment	4.1	11.9	29.5	28.3	26.2	330.4
	Turnover	:	:	:	:	:	:
Construction	Enterprises	63.6	31.1	4.6	0.6	0.1	95.1
	Total employment	20.8	25.4	25.5	15.5	12.8	320.2
	Turnover	:	:	:	:	:	:
Trade and HoReCa	Enterprises	52.1	47.0	0.8	0.1	0.0	499.9
	Total employment	35.1	40.4	9.2	5.7	9.7	815.2
	Turnover	:	:	:	:	:	:
Transport and communication	Enterprises	59.0	38.1	2.6	0.3	0.0	36.1
	Total employment	28.9	23.7	25.2	15.2	6.9	81.0
	Turnover	:	:	:	:	:	:
Financial intermediation	Enterprises	59.3	34.7	2.5	2.5	1.0	1.4
	Total employment	6.4	4.8	5.3	26.0	57.5	14.0
	Turnover	:	:	:	:	:	:
Other business activities	Enterprises	56.7	41.4	1.7	0.2	0.0	40.6
	Total employment	..	31.6	20.6	9.8	..	74.4
	Turnover	:	:	:	:	:	:
Other services	Enterprises	57.2	40.4	2.1	0.3	0.0	27.3
	Total employment	..	26.0	21.3	14.9	..	59.3
	Turnover	:	:	:	:	:	:
All aggregates	Enterprises	53.7	43.8	2.2	0.3	0.0	733.2
	Total employment	25.6	30.0	17.9	13.1	13.5	1 694.6
	Turnover	6.1	32.1	21.0	19.3	21.5	349 590.2

(1) Except turnover, expressed in ECU million.

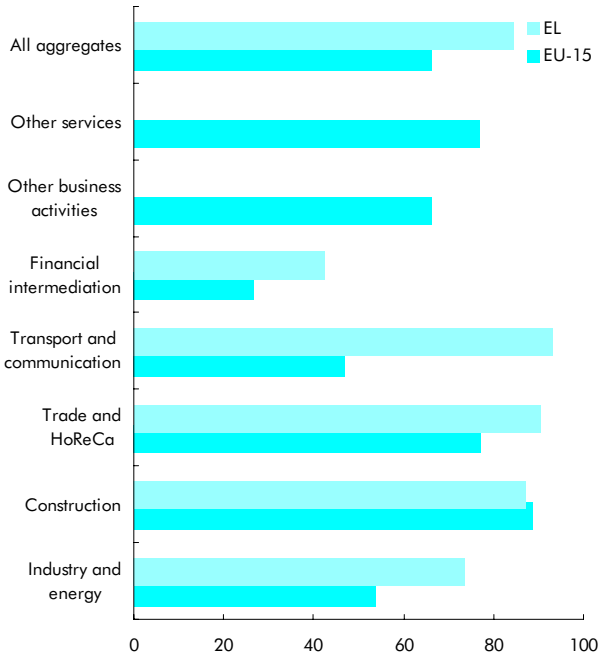
Source: Eurostat.

Shares of sectors in total employment (%) Greece — 1996



Source: Eurostat.

Shares of SMEs in sectoral employment (%) Greece — 1996



Source: Eurostat.

General macroeconomic indicators Greece — 1996

	EL	EU-15		EL	EU-15
Total employment (1 000)	3 868	148 584	GDP at market prices (ECU billions)	71	5 778

Source: Eurostat.

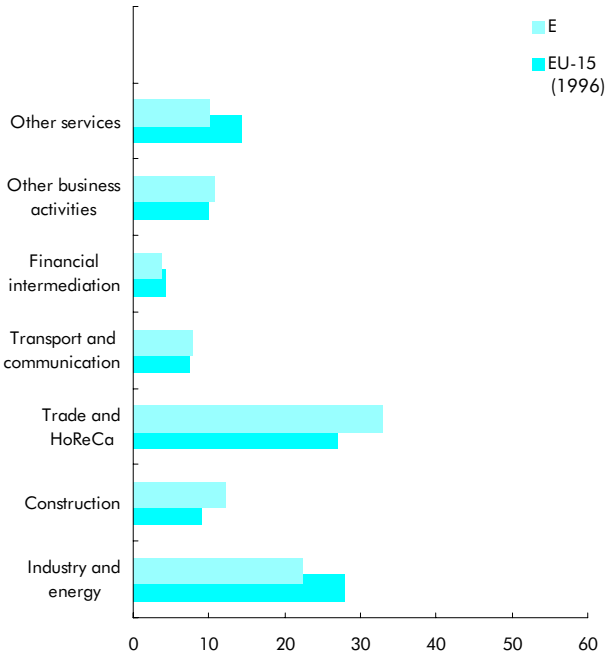
Enterprises in Spain — Key figures for 1997

		Number of employees					
		0	1-9	10-49	50-249	250+	Total
		(in %)	(in %)	(in %)	(in %)	(in %)	in 1 000s (1)
Industry and energy	Enterprises	34.3	48.7	14.3	2.3	0.4	237.4
	Total employment	4.0	18.7	28.4	21.2	27.7	2 563.7
	Turnover	1.6	8.3	18.7	22.4	49.0	329 345.0
Construction	Enterprises	46.9	44.7	7.6	0.7	0.1	259.0
	Total employment	18.3	32.7	27.7	12.1	9.2	1 392.8
	Turnover	7.1	35.0	31.2	14.5	12.2	101 180.8
Trade and HoReCa	Enterprises	55.3	41.2	3.2	0.3	0.0	1 051.9
	Total employment	25.3	38.1	17.8	8.1	10.7	3 776.8
	Turnover	7.8	28.6	18.8	17.7	27.2	357 911.5
Transport and communication	Enterprises	70.7	26.3	2.6	0.3	0.1	226.2
	Total employment	30.0	21.9	13.9	7.7	26.6	895.1
	Turnover	13.6	24.3	19.0	11.6	31.6	73 682.6
Financial intermediation	Enterprises	65.2	31.5	2.1	0.7	0.5	37.8
	Total employment	11.0	8.6	4.2	8.2	67.9	422.0
	Turnover	4.7	6.5	4.2	13.2	71.4	123 274.8
Other business activities	Enterprises	69.2	27.6	2.5	0.5	0.1	298.1
	Total employment	20.3	22.7	13.7	14.4	29.0	1 219.8
	Turnover	20.6	27.1	14.8	15.0	22.5	54 261.2
Other services	Enterprises	60.1	36.5	2.9	0.4	0.1	324.8
	Total employment	23.0	32.8	16.6	11.8	15.8	1 168.8
	Turnover	22.3	19.0	12.3	7.9	38.5	132 749.1
All aggregates	Enterprises	56.3	38.5	4.5	0.6	0.1	2 435.2
	Total employment	18.7	28.6	20.0	12.5	20.2	11 439.0
	Turnover	8.3	19.7	17.4	16.6	38.0	1 172 405.1

(1) Except turnover, expressed in ECU million.

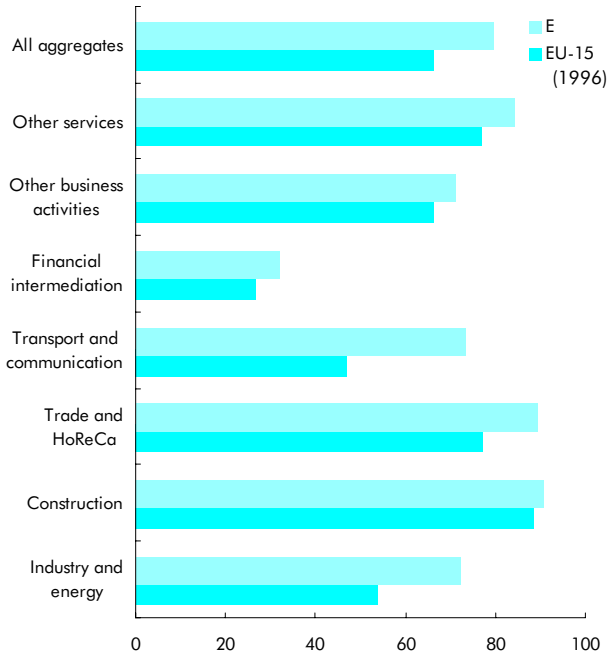
Source: Eurostat.

Shares of sectors in total employment (%) Spain — 1997



Source: Eurostat.

Shares of SMEs in sectoral employment (%) Spain — 1997



Source: Eurostat.

General macroeconomic indicators Spain — 1997

	E	EU-15		E	EU-15
Total employment (1 000)	12 706	149 523	GDP at market prices (ECU billions)	450	5 931

Source: Eurostat.

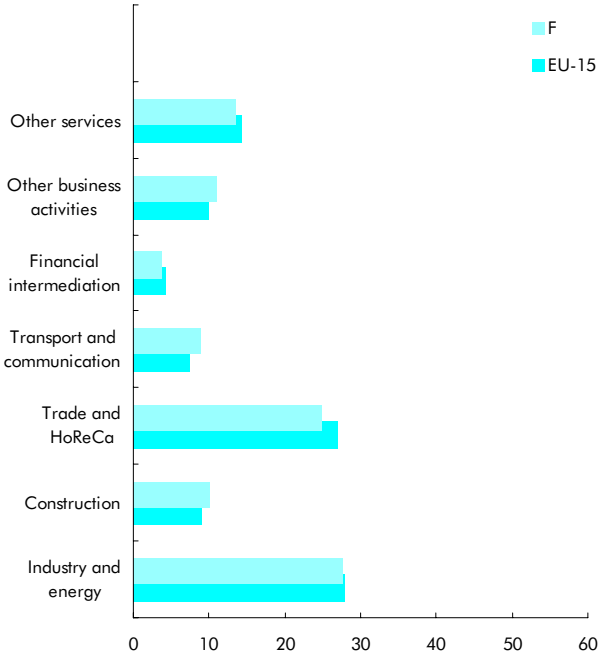
Enterprises in France — Key figures for 1996

		Number of employees 0 (in %)	1-9 (in %)	10-49 (in %)	50-249 (in %)	250+ (in %)	Total in 1 000s (1)
Industry and energy	Enterprises	29.3	51.8	14.5	3.5	0.9	240.6
	Total employment	2.4	11.8	18.7	19.9	47.2	4 477.6
	Turnover	1.6	5.3	12.8	17.6	62.7	791 999.6
Construction	Enterprises	41.0	51.5	6.7	0.7	0.1	291.6
	Total employment	12.8	37.0	26.4	11.1	12.8	1 638.4
	Turnover	7.0	27.2	27.5	16.1	22.2	114 554.9
Trade and HoReCa	Enterprises	44.2	49.8	5.3	0.6	0.1	762.2
	Total employment	12.7	34.8	22.9	11.4	18.2	4 058.9
	Turnover	5.1	22.9	27.8	18.8	25.3	795 995.5
Transport and communication	Enterprises	58.1	31.3	8.6	1.8	0.3	89.7
	Total employment	5.3	8.3	13.1	11.4	61.9	1 442.2
	Turnover	3.5	7.8	13.7	14.5	60.4	131 481.7
Financial intermediation	Enterprises	61.8	31.2	4.6	1.5	1.0	33.5
	Total employment	3.7	5.5	5.0	8.5	77.2	637.6
	Turnover	5.2	2.6	6.6	11.4	74.2	387 274.1
Other business activities	Enterprises	51.9	40.3	6.4	1.1	0.2	237.8
	Total employment	8.7	20.3	19.6	16.5	34.9	1 775.3
	Turnover	8.6	22.7	22.9	16.8	29.0	134 395.0
Other services	Enterprises	67.7	29.9	2.0	0.4	0.1	666.5
	Total employment	32.8	29.6	13.9	12.9	10.8	2 191.6
	Turnover	21.8	25.3	16.3	17.1	19.4	168 863.1
All aggregates	Enterprises	50.6	42.5	5.7	1.0	0.2	2 321.8
	Total employment	11.1	22.9	18.9	14.4	32.7	16 221.5
	Turnover	5.3	13.8	18.1	16.8	46.0	2 524 563.8

(1) Except turnover, expressed in ECU million.

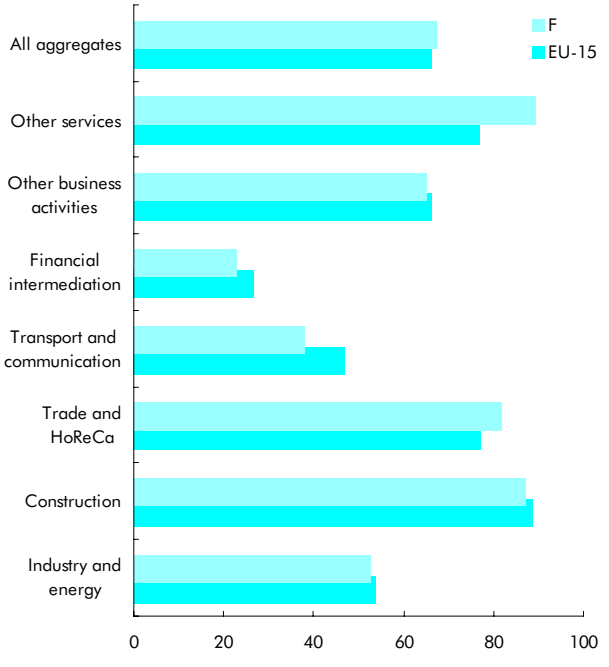
Source: Eurostat.

Shares of sectors in total employment (%) France — 1996



Source: Eurostat.

Shares of SMEs in sectoral employment (%) France — 1996



Source: Eurostat.

General macroeconomic indicators France — 1996

	F	EU-15		F	EU-15
Total employment (1 000)	22 186	148 584	GDP at market prices (ECU billions)	1 001	5 778

Source: Eurostat.

3 COUNTRY ANALYSES IRELAND

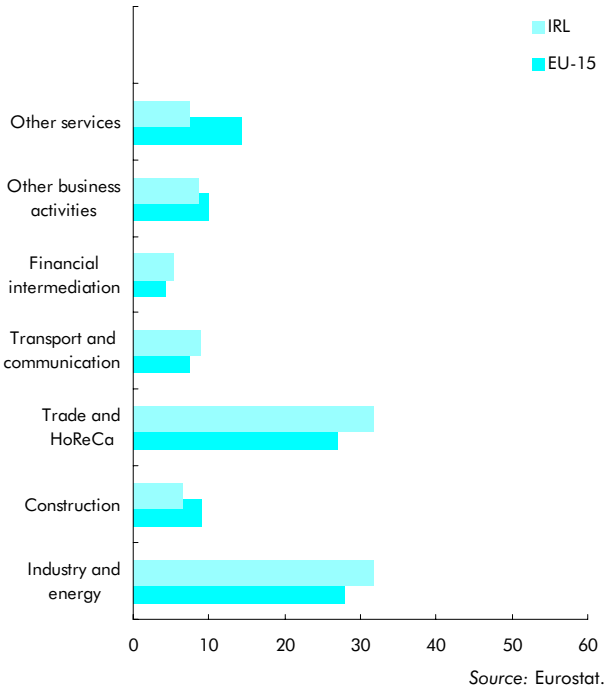
Enterprises in Ireland — Key figures for 1996

		Number of employees					
		0	1-9	10-49	50-249	250+	Total
		(in %)	(in %)	(in %)	(in %)	(in %)	in 1 000s (1)
Industry and energy	Enterprises	28.3	30.9	..	..	..	7.0
	Total employment	..	3.7	..	..	..	242.3
	Turnover	0.3	1.5	..	..	..	51 041.8
Construction	Enterprises	46.3	46.3	6.5	0.8	0.1	12.8
	Total employment	..	35.3	..	18.9	6.0	50.1
	Turnover	4.6	35.7	27.3	23.0	9.4	4 534.1
Trade and HoReCa	Enterprises	32.2	54.5	..	..	..	33.1
	Total employment	4.1	32.2	..	..	..	243.1
	Turnover	5.4	21.6	..	..	..	34 259.9
Transport and communication	Enterprises	72.7	13.5	..	..	..	4.0
	Total employment	4.6	9.0	..	..	..	67.9
	Turnover	4.4	7.3	..	..	..	7 474.8
Financial intermediation	Enterprises	14.2	59.3	16.0	6.3	4.2	0.7
	Total employment	0.3	3.1	4.5	13.4	78.7	40.6
	Turnover	0.0	1.3	..	..	..	..
Other business activities	Enterprises	23.2	64.2	11.2	..	..	9.3
	Total employment	3.2	31.6	26.9	..	..	67.0
	Turnover	3.6	34.7	33.0	..	..	3 033.3
Other services	Enterprises	44.4	45.0	..	..	..	10.1
	Total employment	..	33.3	..	..	..	56.7
	Turnover	1.8	9.5	..	..	..	..
All aggregates	Enterprises	36.6	48.8	11.9	2.2	0.4	76.9
	Total employment	3.6	19.8	22.2	21.6	32.7	767.6
	Turnover	1.2	5.8	10.1	17.1	65.8	237 636.7

(1) Except turnover, expressed in ECU million.

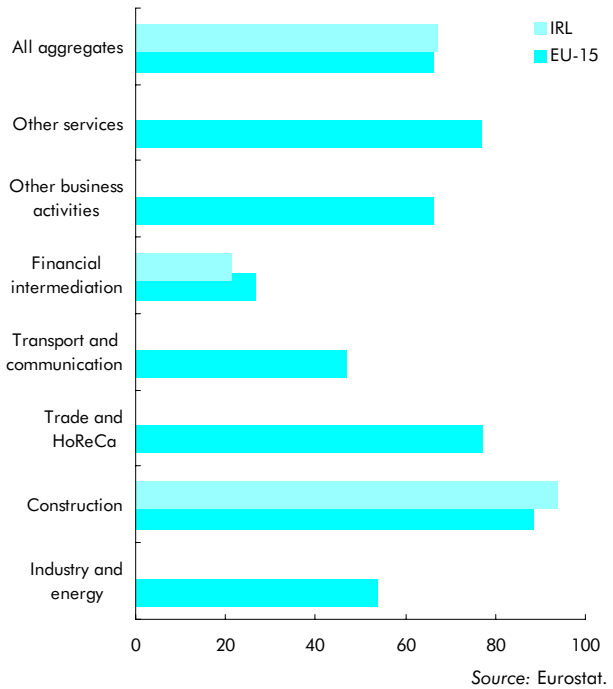
Source: Eurostat.

Shares of sectors in total employment (%) Ireland — 1996



Source: Eurostat.

Shares of SMEs in sectoral employment (%) Ireland — 1996



Source: Eurostat.

General macroeconomic indicators Ireland — 1996

	IRL	EU-15		IRL	EU-15
Total employment (1 000)	1 303	148 584	GDP at market prices (ECU billions)	52	5 778

Source: Eurostat.

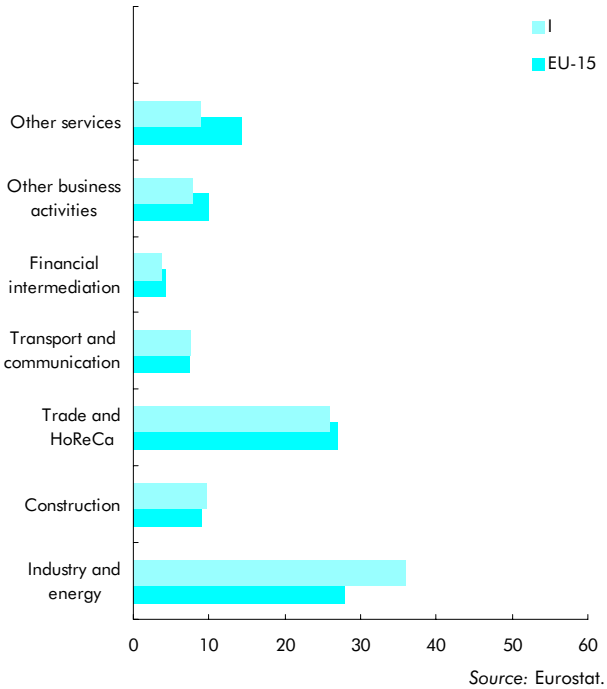
Enterprises in Italy — Key figures for 1996

		Number of employees 0 (in %)	1-9 (in %)	10-49 (in %)	50-249 (in %)	250+ (in %)	Total in 1 000s (1)
Industry and energy	Enterprises	34.1	49.5	14.5	1.7	0.3	575.1
	Total employment	3.4	20.5	30.9	19.0	26.3	5 096.8
	Turnover	1.9	8.4	24.3	22.7	42.6	724 151.8
Construction	Enterprises	45.6	50.0	4.1	0.2	0.0	461.4
	Total employment	13.2	52.9	23.6	6.1	4.1	1 367.6
	Turnover	11.3	41.4	28.0	10.9	8.5	99 164.5
Trade and HoReCa	Enterprises	53.4	44.1	2.3	0.1	0.0	1 450.0
	Total employment	20.7	51.0	15.7	5.0	7.6	3 674.6
	Turnover	8.2	39.9	25.5	11.4	15.0	578 896.4
Transport and communication	Enterprises	61.3	33.9	4.1	0.6	0.1	161.5
	Total employment	8.6	15.3	11.9	8.6	55.5	1 083.8
	Turnover	5.1	17.9	15.7	12.3	49.0	96 520.0
Financial intermediation	Enterprises	58.4	38.1	2.6	0.6	0.4	62.8
	Total employment	5.4	15.1	5.5	7.8	66.2	557.6
	Turnover	8.5	8.5	10.2	14.4	58.4	43 055.5
Other business activities	Enterprises	59.3	38.8	1.6	0.3	0.0	500.3
	Total employment	26.5	39.3	13.4	11.6	9.2	1 119.2
	Turnover	14.3	41.1	21.9	11.2	11.5	64 351.0
Other services	Enterprises	64.6	34.1	1.1	0.2	0.0	587.7
	Total employment	26.4	47.2	7.8	9.0	9.6	1 261.5
	Turnover	25.1	37.9	11.0	11.1	14.9	74 668.2
All aggregates	Enterprises	52.5	42.9	4.2	0.4	0.1	3 798.8
	Total employment	13.2	34.8	20.3	11.4	20.3	14 161.1
	Turnover	6.5	24.3	23.4	16.3	29.4	1 680 807.4

(1) Except turnover, expressed in ECU million.

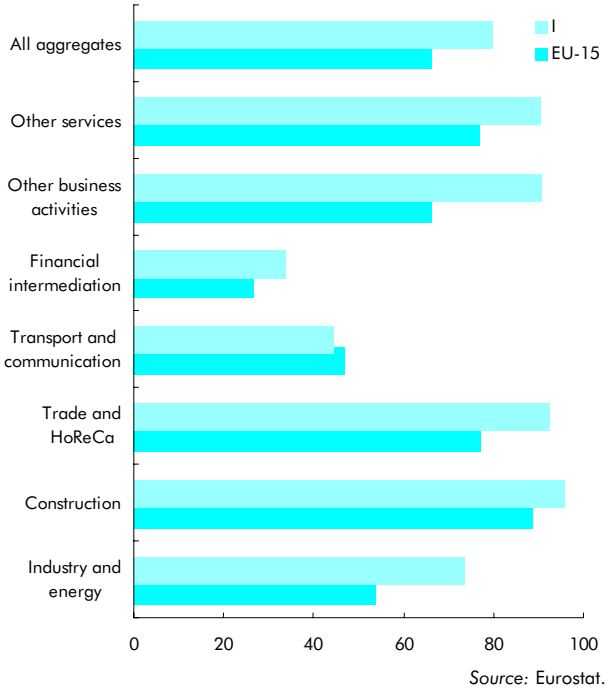
Source: Eurostat.

Shares of sectors in total employment (%) Italy — 1996



Source: Eurostat.

Shares of SMEs in sectoral employment (%) Italy — 1996



Source: Eurostat.

General macroeconomic indicators Italy — 1996

	I	EU-15		I	EU-15
Total employment (1 000)	20 013	148 584	GDP at market prices (ECU billions)	917	5 778

Source: Eurostat.

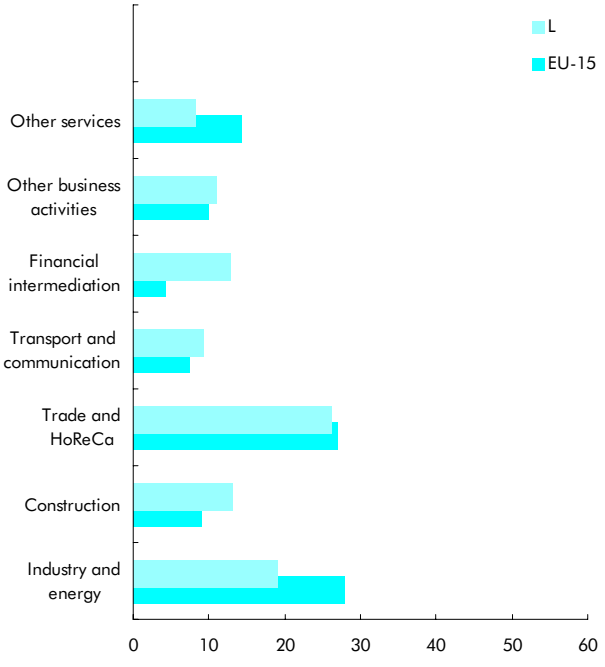
Enterprises in Luxembourg — Key figures for 1996

		Number of employees 0 (in %)	1-9 (in %)	10-49 (in %)	50-249 (in %)	250+ (in %)	Total in 1 000s (1)
Industry and energy	Enterprises	23.8	43.1	22.6	7.7	2.7	0.9
	Total employment	0.6	5.9	12.4	21.5	59.6	35.8
	Turnover	2.3	2.1	9.2	23.7	62.8	7 456.2
Construction	Enterprises	20.1	43.4	30.4	5.4	0.6	1.5
	Total employment	1.3	14.3	40.2	34.6	9.7	24.8
	Turnover	2.4	13.2	37.9	35.2	11.4	1 531.7
Trade and HoReCa	Enterprises	38.4	51.9	8.6	1.1	0.1	8.9
	Total employment	9.5	33.5	31.5	..	..	49.3
	Turnover	9.3	27.4	37.2	..	..	11 831.2
Transport and communication	Enterprises	36.8	43.9	15.3	3.4	0.6	0.9
	Total employment	2.4	9.9	18.1	15.3	54.1	17.6
	Turnover	10.3	16.4	11.5	19.8	42.0	2 896.3
Financial intermediation	Enterprises	32.1	40.0	18.8	7.3	1.8	0.9
	Total employment	1.1	5.7	16.1	28.3	48.8	24.2
	Turnover	0.3	1.5	14.5	63.4	20.2	33 970.0
Other business activities	Enterprises	54.1	36.6	6.3	2.6	0.3	2.6
	Total employment	8.6	17.7	22.6	35.8	15.3	20.4
	Turnover	16.8	22.0	28.3	25.0	8.0	1 192.2
Other services	Enterprises	55.6	38.8	4.9	0.6	0.1	3.2
	Total employment	17.8	23.4	20.8	..	..	15.4
	Turnover	11.5	15.2	22.4	..	..	3 070.6
All aggregates	Enterprises	40.9	45.5	10.9	2.3	0.4	19.0
	Total employment	5.6	17.3	23.9	24.1	29.1	187.4
	Turnover	3.7	8.6	19.3	44.7	23.7	61 948.2

(1) Except turnover, expressed in ECU million.

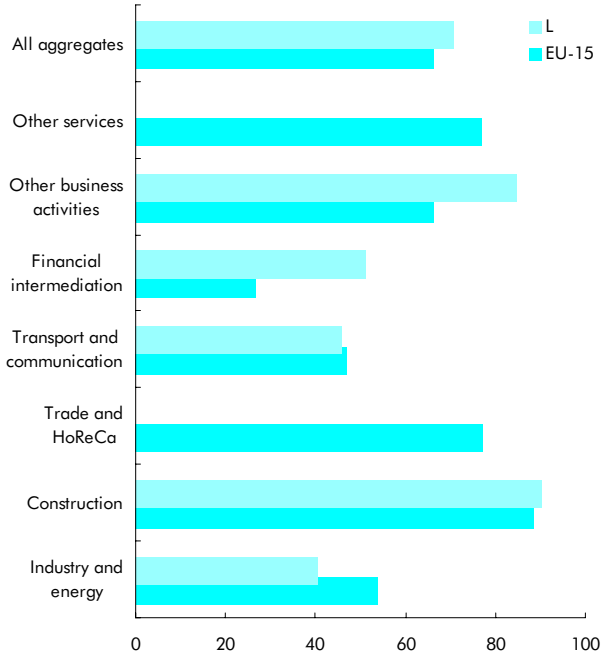
Source: Eurostat.

Shares of sectors in total employment (%) Luxembourg — 1996



Source: Eurostat.

Shares of SMEs in sectoral employment (%) Luxembourg — 1996



Source: Eurostat.

General macroeconomic indicators Luxembourg — 1996

	L	EU-15		L	EU-15
Total employment (1 000)	165	148 584	GDP at market prices (ECU billions)	11	5 778

Source: Eurostat.

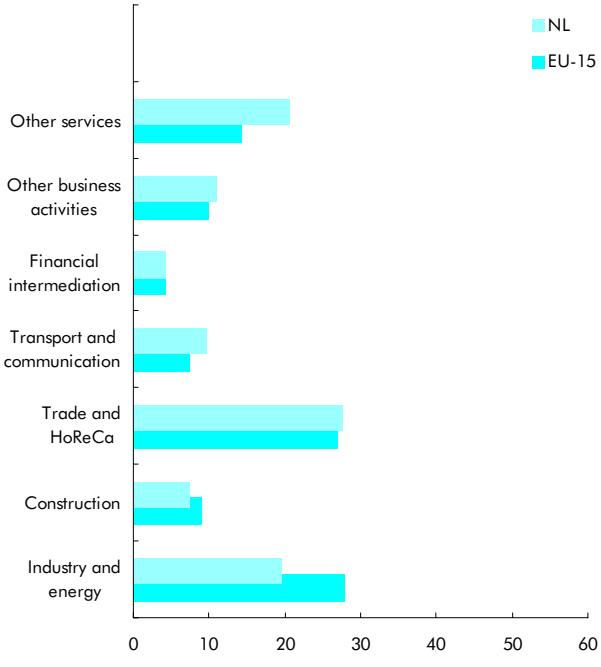
Enterprises in the Netherlands — Key figures for 1996

		Number of employees 0 (in %)	1-9 (in %)	10-49 (in %)	50-249 (in %)	250+ (in %)	Total in 1 000s (1)
Industry and energy	Enterprises	31.6	42.5	18.1	6.1	1.7	42.5
	Total employment	..	11.6	..	21.4	49.6	1 041.8
	Turnover	0.5	7.0	13.2	29.2	50.2	166 364.9
Construction	Enterprises	41.3	42.5	13.9	2.0	0.2	48.4
	Total employment	..	44.6	..	23.4	13.7	387.9
	Turnover	1.3	19.1	33.5	28.5	17.5	39 171.8
Trade and HoReCa	Enterprises	37.0	55.3	6.7	0.9	0.2	192.2
	Total employment	9.4	32.5	22.6	12.4	23.2	1 473.5
	Turnover	6.1	22.5	30.6	20.7	20.0	269 291.1
Transport and communication	Enterprises	36.0	45.1	15.0	3.2	0.6	26.0
	Total employment	3.4	11.5	20.7	13.5	50.8	519.1
	Turnover	2.0	7.9	14.9	16.6	58.6	41 230.3
Financial intermediation	Enterprises	24.0	66.3	7.1	1.9	0.7	11.6
	Total employment	1.3	6.1	7.6	10.6	74.4	222.8
	Turnover	:	:	:	:	:	:
Other business activities	Enterprises	62.2	31.4	4.7	1.2	0.4	69.7
	Total employment	10.3	15.3	14.8	22.9	36.6	582.2
	Turnover	:	:	:	:	:	:
Other services	Enterprises	41.0	51.1	5.9	1.5	0.5	125.0
	Total employment	..	12.7	..	25.4	42.4	1 094.0
	Turnover	3.0	7.0	15.1	27.9	47.1	80 730.0
All aggregates	Enterprises	41.0	48.5	8.3	1.8	0.4	515.5
	Total employment	5.5	20.2	17.6	18.8	37.9	5 321.3
	Turnover	3.5	14.1	21.6	24.3	36.5	663 227.1

(1) Except turnover, expressed in ECU million.

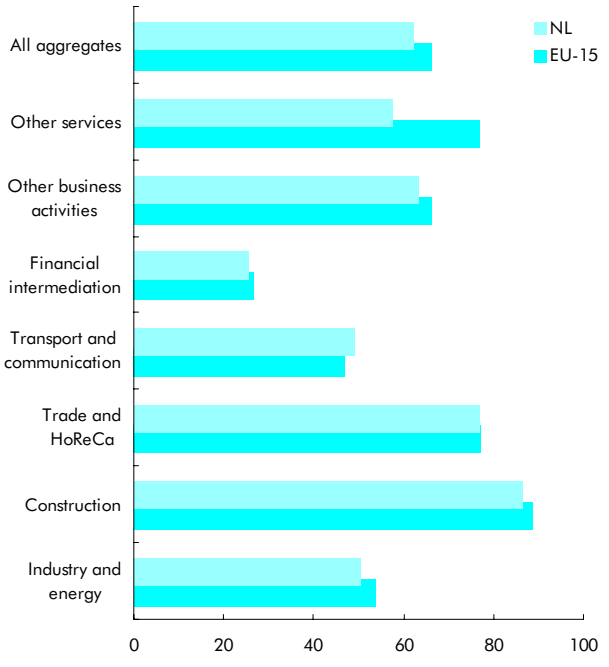
Source: Eurostat.

Shares of sectors in total employment (%) The Netherlands — 1996



Source: Eurostat.

Shares of SMEs in sectoral employment (%) The Netherlands — 1996



Source: Eurostat.

General macroeconomic indicators The Netherlands — 1996

	NL	EU-15		NL	EU-15
Total employment (1 000)	6 533	148 584	GDP at market prices (ECU billions)	255	5 778

Source: Eurostat.

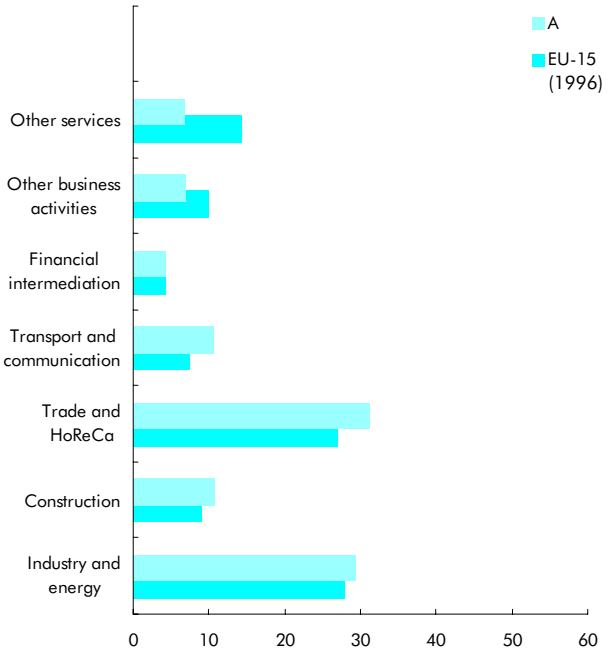
Enterprises in Austria — Key figures for 1997

		Number of employees					
		0	1-9	10-49	50-249	250+	Total
		(in %)	(in %)	(in %)	(in %)	(in %)	in 1 000s (1)
Industry and energy	Enterprises	16.7	53.2	22.2	6.2	1.7	26.5
	Total employment	0.7	9.9	18.2	..	..	672.7
	Turnover	0.2	4.7	11.4	..	..	101 080.5
Construction	Enterprises	15.5	54.0	26.0	4.1	0.4	17.4
	Total employment	1.2	18.5	35.7	26.1	18.5	248.3
	Turnover	1.5	14.0	33.6	26.4	24.5	22 513.4
Trade and HoReCa	Enterprises	30.8	58.1	9.8	1.2	0.2	97.4
	Total employment	5.2	30.8	25.8	16.3	21.8	717.0
	Turnover	4.1	21.9	25.7	22.9	25.3	129 855.2
Transport and communication	Enterprises	32.9	50.3	14.2	2.2	0.4	11.6
	Total employment	1.7	10.4	14.2	..	..	244.0
	Turnover	1.2	11.7	18.1	..	..	23 497.3
Financial intermediation	Enterprises	40.0	36.3	17.7	4.2	1.8	3.4
	Total employment	1.4	3.9	13.6	13.7	67.4	98.1
	Turnover	0.1	3.1	8.3	5.9	82.6	40 604.1
Other business activities	Enterprises	37.4	53.3	8.0	1.1	0.2	23.6
	Total employment	6.2	32.4	22.8	..	..	158.4
	Turnover	5.8	34.0	29.8	..	..	11 929.8
Other services	Enterprises	46.2	49.9	3.3	0.6	0.1	44.5
	Total employment	13.7	40.3	16.5	17.3	12.2	156.6
	Turnover	9.9	25.8	22.6	22.6	19.1	16 905.4
All aggregates	Enterprises	31.9	54.3	11.4	2.0	0.4	224.3
	Total employment	3.6	20.8	22.1	19.6	33.9	2 295.2
	Turnover	2.5	14.1	19.5	21.1	42.8	346 385.6

(1) Except turnover, expressed in ECU million.

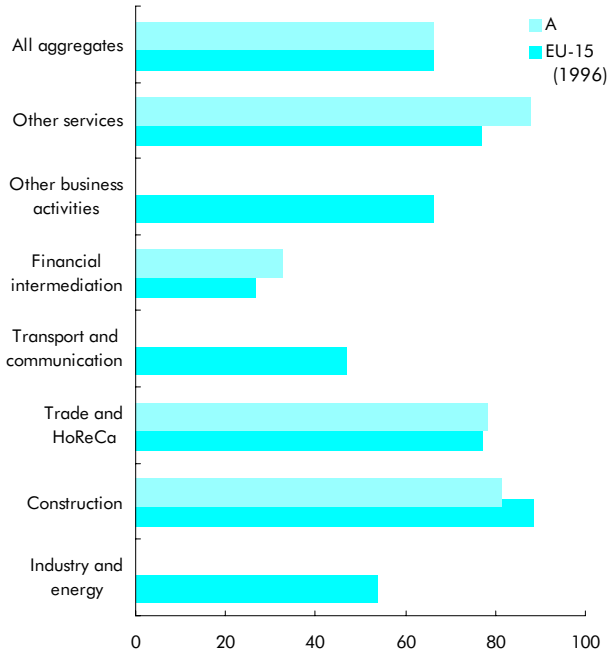
Source: Eurostat.

Shares of sectors in total employment (%) Austria — 1997



Source: Eurostat.

Shares of SMEs in sectoral employment (%) Austria — 1997



Source: Eurostat.

General macroeconomic indicators Austria — 1996

	A	EU-15		A	EU-15
Total employment (1 000)	3 617	148 584	GDP at market prices (ECU billions)	141	5 778

Source: Eurostat.

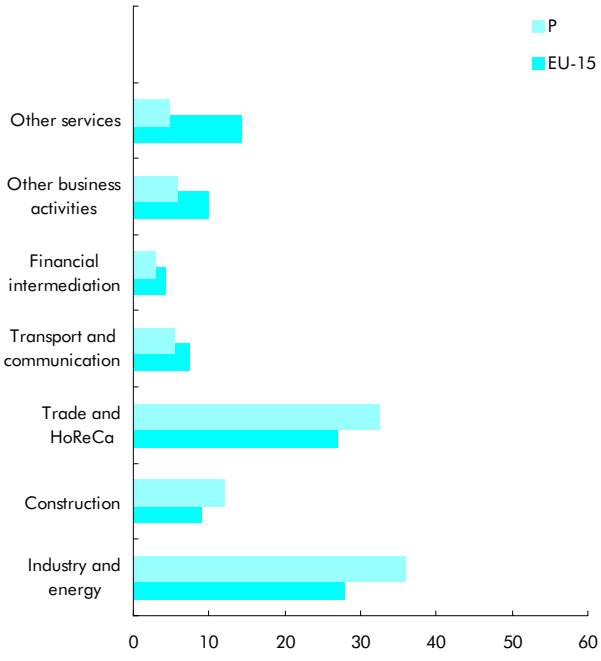
Enterprises in Portugal — Key figures for 1996

		Number of employees					
		0	1-9	10-49	50-249	250+	Total
		(in %)	(in %)	(in %)	(in %)	(in %)	in 1 000s [1]
Industry and energy	Enterprises	4.6	76.3	15.3	3.3	0.5	96.7
	Total employment	0.5	17.0	28.7	29.1	24.7	1 077.8
	Turnover	0.5	7.8	18.0	25.7	48.1	65 747.6
Construction	Enterprises	1.6	92.5	5.2	0.6	0.1	95.7
	Total employment	0.4	44.5	25.2	16.3	13.5	361.4
	Turnover	0.4	31.1	23.6	19.2	25.7	16 427.0
Trade and HoReCa	Enterprises	2.1	93.8	3.7	0.3	0.0	331.5
	Total employment	0.8	60.3	22.3	10.1	6.4	972.9
	Turnover	0.5	37.9	29.2	21.2	11.2	84 950.6
Transport and communication	Enterprises	2.9	89.7	6.3	1.0	0.2	21.2
	Total employment	0.4	21.0	15.5	12.0	51.1	164.8
	Turnover	0.3	14.1	21.5	15.1	49.0	11 204.8
Financial intermediation	Enterprises	37.7	53.7	6.2	1.5	0.9	4.7
	Total employment	2.0	5.3	6.9	7.7	78.1	90.5
	Turnover	5.2	1.1	7.3	11.7	74.6	22 036.6
Other business activities	Enterprises	4.8	90.9	3.4	0.7	0.2	41.9
	Total employment	1.2	37.7	15.2	16.3	29.6	179.8
	Turnover	4.2	38.9	30.1	17.7	9.0	6 562.5
Other services	Enterprises	5.6	91.2	2.9	0.3	0.0	50.2
	Total employment	2.2	60.7	18.0	10.1	9.0	143.0
	Turnover	8.6	47.0	22.9	12.9	8.5	6 876.9
All aggregates	Enterprises	3.2	90.2	5.7	0.9	0.1	641.9
	Total employment	0.7	37.6	23.5	18.1	20.0	2 990.1
	Turnover	1.3	23.4	22.5	20.8	32.0	213 806.0

([1]) Except turnover, expressed in ECU million.
NB: Following a change in the methodology applied to the data in size classes 0 and 1-9 between 1995 and 1996, the figures shown for these classes are not directly comparable with those in the fifth report.

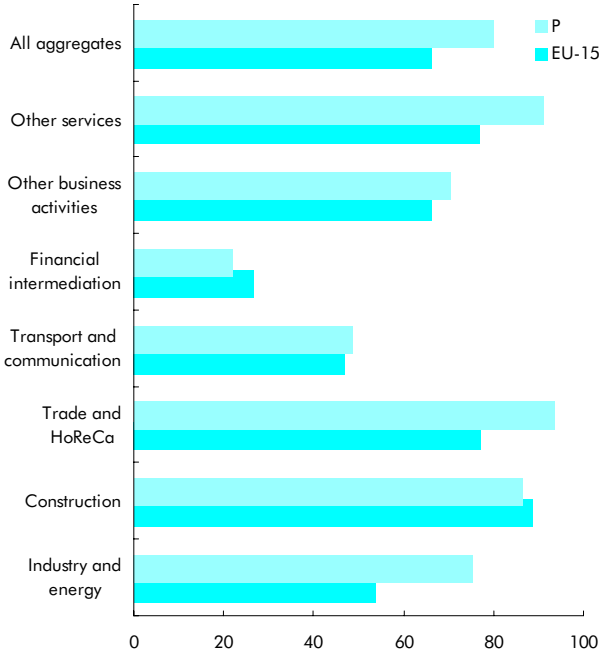
Source: Eurostat.

Shares of sectors in total employment (%) Portugal — 1996



Source: Eurostat.

Shares of SMEs in sectoral employment (%) Portugal — 1996



Source: Eurostat.

General macroeconomic indicators Portugal — 1996

	P	EU-15		P	EU-15
Total employment (1 000)	4 431	148 584	GDP at market prices (ECU billions)	61	5 778

Source: Eurostat.

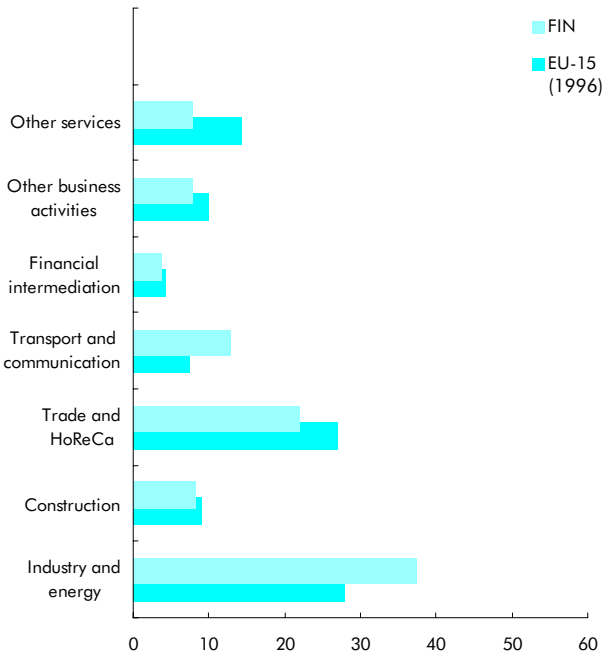
Legal units in Finland — Key figures for 1997

		Number of employees					
		0	1-9	10-49	50-249	250+	Total
		(in %)	(in %)	(in %)	(in %)	(in %)	in 1 000s (1)
Industry and energy	Legal units	46.1	39.3	10.6	2.9	1.0	28.1
	Total employment	1.6	8.6	14.5	20.3	55.0	429.2
	Turnover	1.3	4.7	9.3	17.0	67.7	82 839.4
Construction	Legal units	51.4	43.1	5.1	0.4	0.1	26.6
	Total employment	8.6	36.5	25.2	10.6	19.1	94.0
	Turnover	7.7	27.3	24.4	14.8	25.8	10 204.6
Trade and HoReCa	Legal units	50.9	43.4	5.0	0.6	0.2	60.3
	Total employment	6.4	30.7	22.0	13.4	27.5	252.3
	Turnover	4.9	20.4	23.1	16.3	35.3	72 828.8
Transport and communication	Legal units	54.3	40.9	3.9	0.7	0.2	23.1
	Total employment	6.5	17.4	11.4	11.4	53.3	148.3
	Turnover	5.6	14.7	16.0	20.3	43.4	14 765.0
Financial intermediation	Legal units	59.8	26.5	10.5	2.3	0.8	2.7
	Total employment	0.9	5.5	12.5	15.4	65.7	44.7
	Turnover	0.0	5.3	11.2	18.4	65.0	45 138.8
Other business activities	Legal units	50.7	44.7	3.8	0.7	0.1	25.3
	Total employment	8.3	32.0	19.7	19.1	20.9	91.4
	Turnover	9.3	29.8	23.8	26.8	10.2	6 571.6
Other services	Legal units	68.4	28.9	2.4	0.3	0.1	37.7
	Total employment	16.1	31.4	18.7	13.2	20.6	91.0
	Turnover	11.0	20.2	21.0	13.4	34.4	9 158.5
All aggregates	Legal units	54.0	39.8	5.1	0.9	0.2	203.7
	Total employment	5.5	20.4	17.3	16.0	40.8	1 150.8
	Turnover	3.3	12.4	15.7	17.3	51.3	241 506.6

(1) Except turnover, expressed in ECU million.

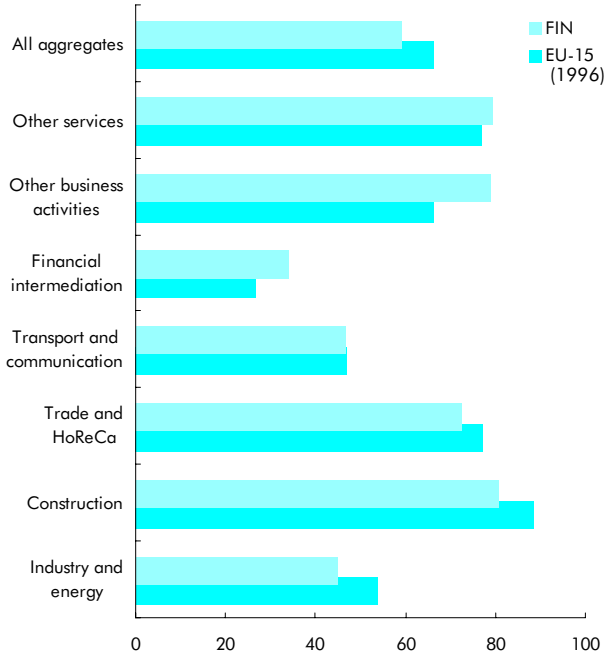
Source: Eurostat.

Shares of sectors in total employment (%) Finland — 1997



Source: Eurostat.

Shares of SMEs in sectoral employment (%) Finland — 1997



Source: Eurostat.

General macroeconomic indicators Finland — 1997

	FIN	EU-15		FIN	EU-15
Total employment (1 000)	2 112	149 523	GDP at market prices (ECU billions)	113	5 931

Source: Eurostat.

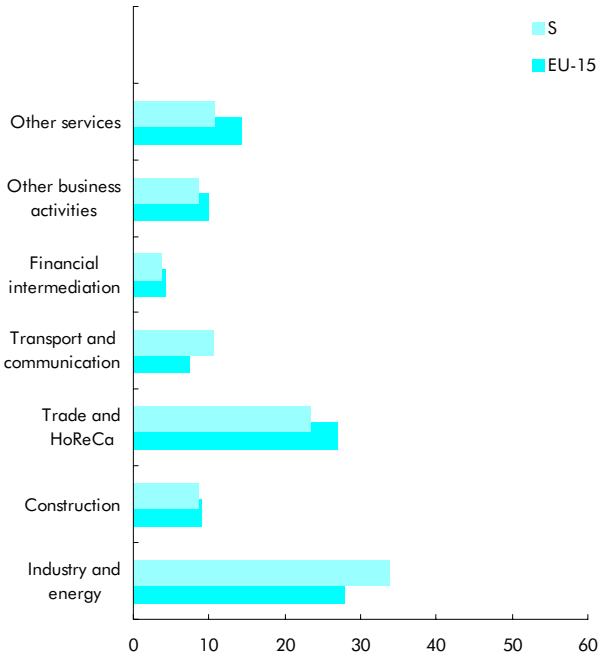
Enterprises in Sweden — Key figures for 1996

		Number of employees					
		0	1-9	10-49	50-249	250+	Total
		(in %)	(in %)	(in %)	(in %)	(in %)	in 1 000s (1)
Industry and energy	Enterprises	39.3	37.2	17.1	4.9	1.5	29.7
	Total employment	1.8	9.1	15.0	21.0	53.1	721.6
	Turnover	..	..	..	..	..	..
Construction	Enterprises	50.8	38.9	9.3	0.7	0.2	24.1
	Total employment	7.6	31.9	22.5	9.1	29.0	186.3
	Turnover	..	..	..	..	..	..
Trade and HoReCa	Enterprises	34.6	55.6	8.7	0.9	0.2	78.5
	Total employment	6.5	34.0	24.9	14.4	20.3	501.0
	Turnover	..	..	..	..	..	..
Transport and communication	Enterprises	23.6	64.4	9.9	1.6	0.4	15.2
	Total employment	2.1	16.5	13.1	10.6	57.7	223.1
	Turnover	2.4	13.0	17.9	14.4	52.3	29 755.4
Financial intermediation	Enterprises	51.6	35.7	7.8	4.0	1.0	2.7
	Total employment	1.7	3.5	5.7	14.1	75.1	83.2
	Turnover	2.1	1.9	6.7	24.9	64.4	44 104.0
Other business activities	Enterprises	36.4	57.5	5.4	0.6	0.1	40.9
	Total employment	..	36.5	..	14.4	..	186.1
	Turnover	7.7	32.1	30.2	17.4	12.6	16 026.3
Other services	Enterprises	56.7	37.8	4.6	0.8	0.2	51.6
	Total employment	..	25.4	..	18.7	..	230.5
	Turnover	11.9	17.7	17.5	24.4	28.6	21 298.1
All aggregates	Enterprises	41.3	48.6	8.4	1.4	0.3	242.7
	Total employment	5.0	21.7	18.5	16.2	38.7	2 131.8
	Turnover	3.6	13.8	17.8	19.6	45.1	388 370.5

(1) Except turnover, expressed in ECU million.

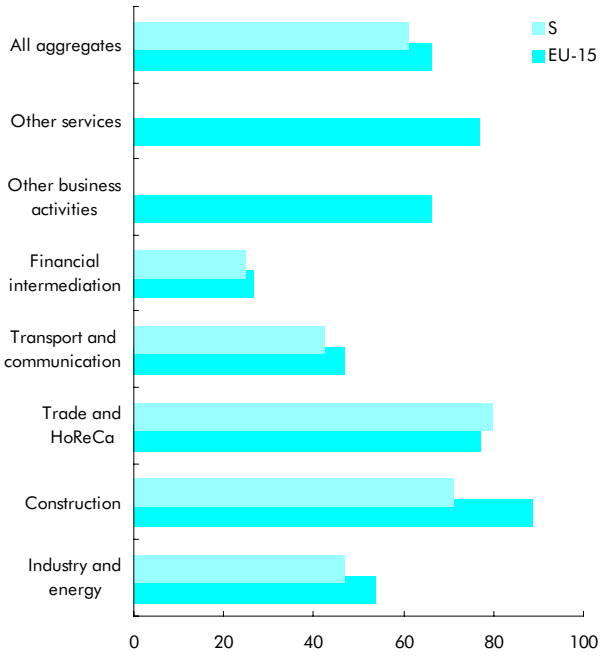
Source: Eurostat.

Shares of sectors in total employment (%) Sweden — 1996



Source: Eurostat.

Shares of SMEs in sectoral employment (%) Sweden — 1996



Source: Eurostat.

General macroeconomic indicators Sweden — 1996

	S	EU-15		S	EU-15
Total employment (1 000)	3 984	148 584	GDP at market prices (ECU billions)	187	5 778

Source: Eurostat.

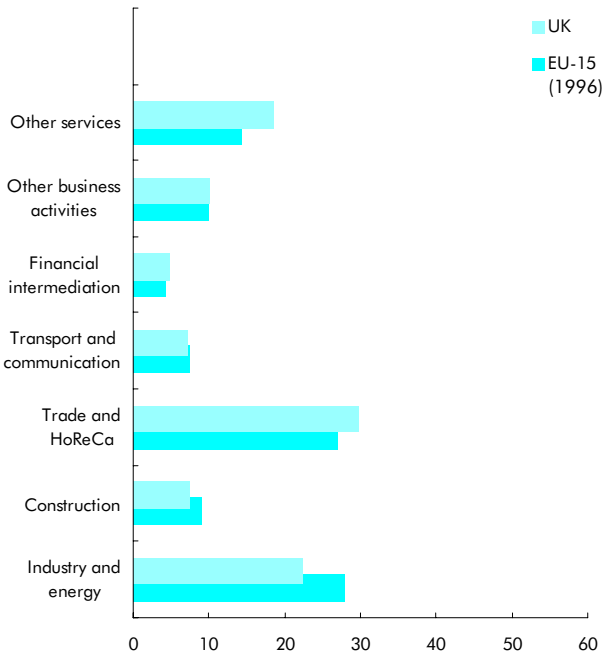
Enterprises in United Kingdom — Key figures for 1997

		Number of employees 0 (in %)	1-9 (in %)	10-49 (in %)	50-249 (in %)	250+ (in %)	Total in 1 000s (1)
Industry and energy	Enterprises	55.5	31.5	9.6	2.6	0.8	338.0
	Total employment	4.9	8.5	14.3	20.4	51.9	4 690.7
	Turnover	1.2	6.2	10.5	18.3	63.7	782 738.9
Construction	Enterprises	82.9	15.4	1.5	0.2	0.0	728.7
	Total employment	41.8	23.2	13.2	7.9	13.9	1 533.0
	Turnover	18.0	28.1	16.8	12.1	24.9	167 527.6
Trade and HoReCa	Enterprises	42.4	49.3	7.3	0.8	0.2	707.0
	Total employment	6.4	22.1	15.2	8.8	47.5	6 232.0
	Turnover	2.9	19.3	20.3	13.6	43.9	1 091 854.2
Transport and communication	Enterprises	76.3	19.5	3.5	0.6	0.2	211.1
	Total employment	12.3	9.8	9.4	8.6	59.9	1 486.0
	Turnover	4.3	12.9	13.3	10.2	59.3	190 267.6
Financial intermediation	Enterprises	65.1	29.1	4.2	1.0	0.5	65.9
	Total employment	4.8	5.8	5.1	7.1	77.2	1 027.0
	Turnover	0.2	4.7	11.8	18.3	64.9	3 015 292.4
Other business activities	Enterprises	61.4	34.1	3.7	0.7	0.2	501.6
	Total employment	16.3	23.0	16.6	12.9	31.1	2 140.0
	Turnover	8.0	27.7	17.5	16.7	30.1	187 375.8
Other services	Enterprises	63.8	31.7	3.9	0.5	0.1	787.0
	Total employment	15.1	18.4	15.4	9.7	41.4	3 901.0
	Turnover	7.1	24.7	15.4	7.8	45.0	301 233.3
All aggregates	Enterprises	63.1	31.4	4.6	0.7	0.2	3 339.4
	Total employment	11.6	16.9	14.1	11.8	45.5	21 009.7
	Turnover	2.1	10.5	13.8	16.4	57.2	5 736 289.7

(1) Except turnover, expressed in ECU million.

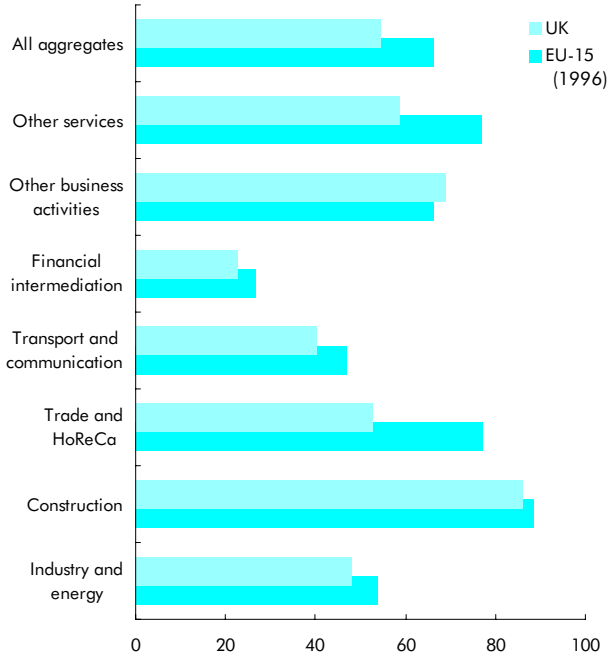
Source: Eurostat.

Shares of sectors in total employment (%) United Kingdom — 1997



Source: Eurostat.

Shares of SMEs in sectoral employment (%) United Kingdom — 1997



Source: Eurostat.

General macroeconomic indicators United Kingdom — 1996

	UK	EU-15		UK	EU-15
Total employment (1 000)	26 058	148 584	GDP at market prices (ECU billions)	832	5 778

Source: Eurostat.

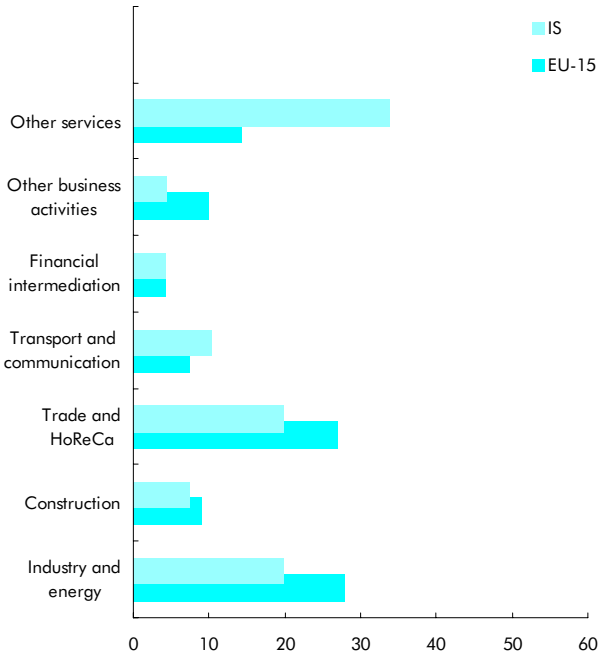
Enterprises in Iceland — Key figures for 1996

		Number of employees					
		0	1-9	10-49	50-99	100+	Total
		(in %)	(in %)	(in %)	(in %)	(in %)	in 1 000s ([1])
Industry and energy	Enterprises	38.1	48.7	10.7	1.4	1.2	2.9
	Total employment	2.9	17.9	32.5	14.0	30.8	20.7
	Turnover	:	:	:	:	:	:
Construction	Enterprises	63.7	34.5	1.6	0.1	0.1	4.1
	Total employment	22.8	34.7	18.7	3.9	11.0	7.6
	Turnover	:	:	:	:	:	:
Trade and HoReCa	Enterprises	32.6	59.7	6.5	0.5	0.6	4.5
	Total employment	3.5	30.4	27.1	7.6	28.0	20.7
	Turnover	:	:	:	:	:	:
Transport and communication	Enterprises	76.8	20.4	2.3	0.2	0.3	2.2
	Total employment	12.3	6.3	10.3	3.1	65.9	10.7
	Turnover	:	:	:	:	:	:
Financial intermediation	Enterprises	29.3	50.2	14.4	2.3	3.7	0.2
	Total employment	0.6	5.5	16.3	7.8	69.5	4.5
	Turnover	:	:	:	:	:	:
Other business activities	Enterprises	70.1	28.5	1.2	0.1	0.0	3.7
	Total employment	23.3	35.4	17.6	5.8	11.0	4.7
	Turnover	:	:	:	:	:	:
Other services	Enterprises	63.0	34.3	2.1	0.4	0.3	5.6
	Total employment	4.8	9.2	6.7	4.0	73.8	35.2
	Turnover	:	:	:	:	:	:
All aggregates	Enterprises	56.2	39.0	3.9	0.4	0.4	23.2
	Total employment	6.9	17.7	18.1	6.9	47.7	103.9
	Turnover	:	:	:	:	:	:

([1]) Except turnover, expressed in ECU million.
NB: In this case, SMEs correspond to enterprises with less than 100 employees. Furthermore, a residual employment size class is included in total employment, but not in the breakdown by size class.

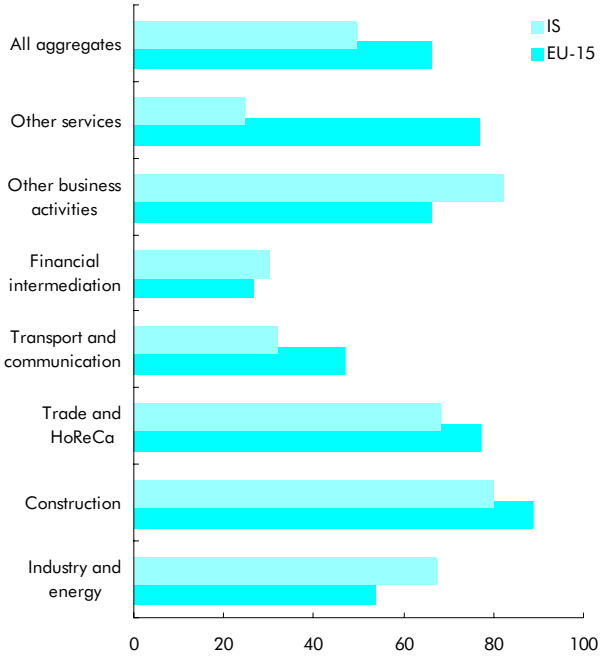
Source: Eurostat.

Shares of sectors in total employment (%) Iceland — 1996



Source: Eurostat.

Shares of SMEs in sectoral employment (%) Iceland — 1996



Source: Eurostat.

General macroeconomic indicators Iceland — 1996

	IS	EU-15		IS	EU-15
Total employment (1 000)	139	148 584	GDP at market prices (ECU billions)	5	5 778

Source: Eurostat.

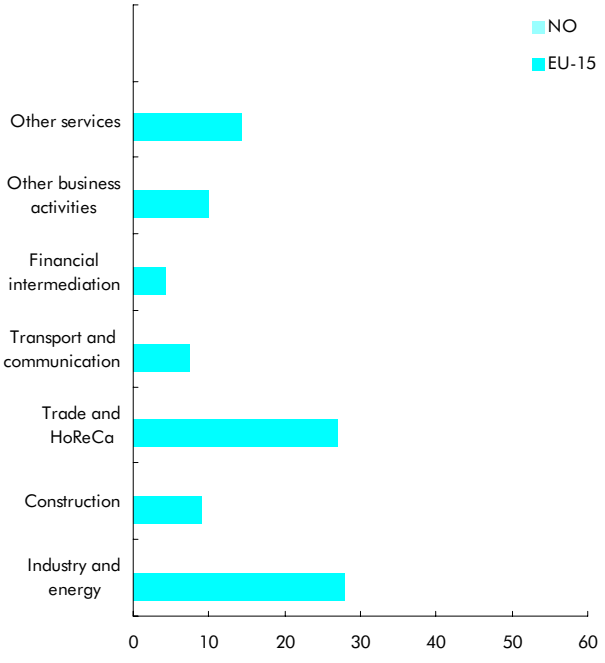
Enterprises in Norway — Key figures for 1996

		Number of employees					
		0	1-9	10-49	50-199	200+	Total
		(in %)	(in %)	(in %)	(in %)	(in %)	in 1 000s [1]
Industry and energy	Enterprises	:	:	:	:	:	:
	Total employment	:	:	:	:	:	:
	Gross production	:	:	:	:	:	:
Construction	Enterprises	10.3	84.2	4.9	0.4	0.1	35.4
	Total employment	0.0	47.2	28.4	10.4	14.0	111.0
	Gross production	0.4	36.3	34.3	11.5	17.6	12 960.2
Trade and HoReCa	Enterprises	11.3	77.4	10.1	1.0	0.2	67.1
	Total employment	0.0	35.6	32.6	15.4	16.4	373.7
	Gross production	0.9	25.8	32.9	20.1	20.3	87 254.2
Transport and communication	Enterprises	:	:	:	:	:	:
	Total employment	:	:	:	:	:	:
	Gross production	:	:	:	:	:	:
Financial intermediation	Enterprises	:	:	:	:	:	:
	Total employment	:	:	:	:	:	:
	Gross production	:	:	:	:	:	:
Other business activities	Enterprises	16.5	78.2	4.5	0.6	0.2	26.9
	Total employment	0.0	34.6	19.2	13.1	33.1	114.7
	Gross production	1.7	31.8	25.4	18.7	22.4	9 424.7
Other services	Enterprises	:	:	:	:	:	:
	Total employment	:	:	:	:	:	:
	Gross production	:	:	:	:	:	:
All aggregates	Enterprises	:	:	:	:	:	:
	Total employment	:	:	:	:	:	:
	Gross production	:	:	:	:	:	:

([1]) Except the gross production value, expressed in ECU million.
NB: In this case, SMEs correspond to enterprises with less than 200 employees.
Furthermore, for methodological reasons, total employment in size class 0 is always 0.

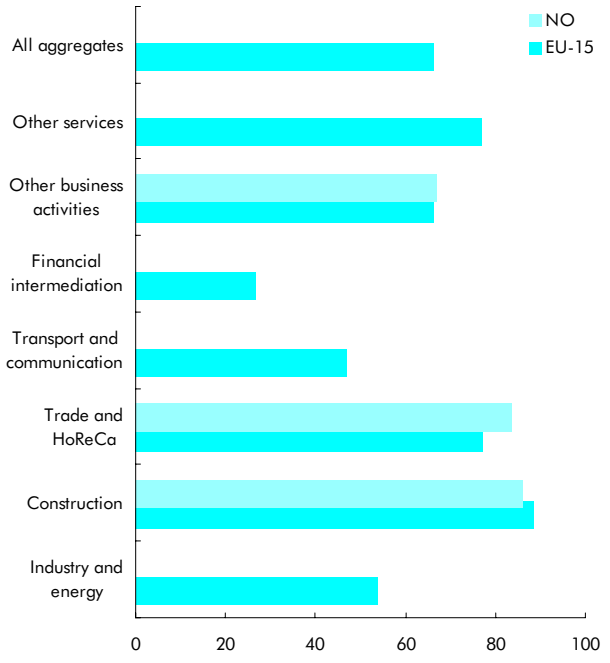
Source: Eurostat.

Shares of sectors in total employment (%) Norway — 1996



Source: Eurostat.

Shares of SMEs in sectoral employment (%) Norway — 1996



Source: Eurostat.

General macroeconomic indicators Norway — 1996

	NO	EU-15		NO	EU-15
Total employment (1 000)	2 168	148 584	GDP at market prices (ECU billions)	119	5 778

Source: Eurostat.

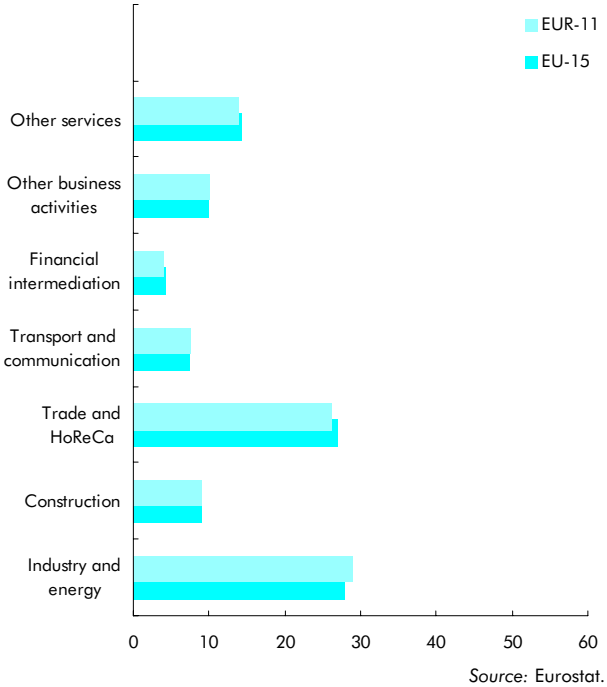
Enterprises in EUR-11 — Key figures for 1996

		Number of employees 0 (in %)	1-9 (in %)	10-49 (in %)	50-249 (in %)	250+ (in %)	Total in 1 000s (1)
Industry and energy	Enterprises	29.4	51.0	15.8	3.1	0.8	1 634.8
	Total employment	2.1	13.1	20.8	18.9	45.0	24 953.0
	Turnover	1.4	5.4	13.5	20.5	59.1	3 929 506.0
Construction	Enterprises	37.4	52.5	9.1	0.9	0.1	1 572.4
	Total employment	9.9	36.4	29.9	13.3	10.5	7 882.1
	Turnover	5.2	26.0	32.0	20.5	16.3	668 088.0
Trade and HoReCa	Enterprises	46.4	48.6	4.5	0.4	0.1	5 288.2
	Total employment	14.1	38.3	20.7	9.1	17.8	22 641.5
	Turnover	5.3	24.8	25.5	20.8	23.7	3 783 708.0
Transport and communication	Enterprises	55.0	37.2	6.6	1.0	0.2	704.6
	Total employment	8.2	14.1	15.2	10.0	52.5	6 509.6
	Turnover	4.5	12.5	16.9	16.4	49.7	576 025.0
Financial intermediation	Enterprises	56.5	38.1	3.5	1.2	0.6	250.8
	Total employment	4.5	8.9	6.0	8.6	72.0	3 510.0
	Turnover	2.5	2.5	5.0	11.3	78.7	1 308 067.0
Other business activities	Enterprises	54.6	39.7	4.7	0.8	0.2	1 659.3
	Total employment	11.6	22.9	17.3	13.2	35.1	8 783.7
	Turnover	8.3	22.3	20.8	15.3	33.4	556 658.0
Other services	Enterprises	53.7	41.8	3.9	0.5	0.1	2 864.6
	Total employment	15.4	39.2	17.1	11.4	17.0	12 013.5
	Turnover	14.1	23.3	17.9	20.3	24.3	785 487.0
All aggregates	Enterprises	46.5	46.1	6.3	0.9	0.2	13 974.6
	Total employment	9.3	26.4	19.7	13.1	31.5	86 293.3
	Turnover	4.4	15.0	18.3	19.1	43.2	11 607 540.0

(1) Except turnover, expressed in ECU million.

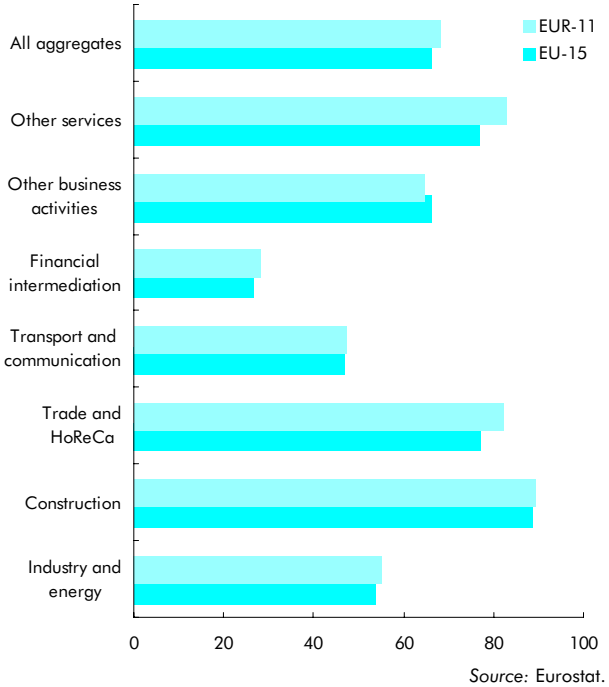
Source: Eurostat.

Shares of sectors in total employment (%) EUR-11 — 1996



Source: Eurostat.

Shares of SMEs in sectoral employment (%) EUR-11 — 1996



Source: Eurostat.

General macroeconomic indicators EUR-11 — 1996

	EUR-11	EU-15		EUR-11	EU-15
Total employment (1 000)	112 055	148 584	GDP at market prices (ECU billions)	4 569	5 778

Source: Eurostat.

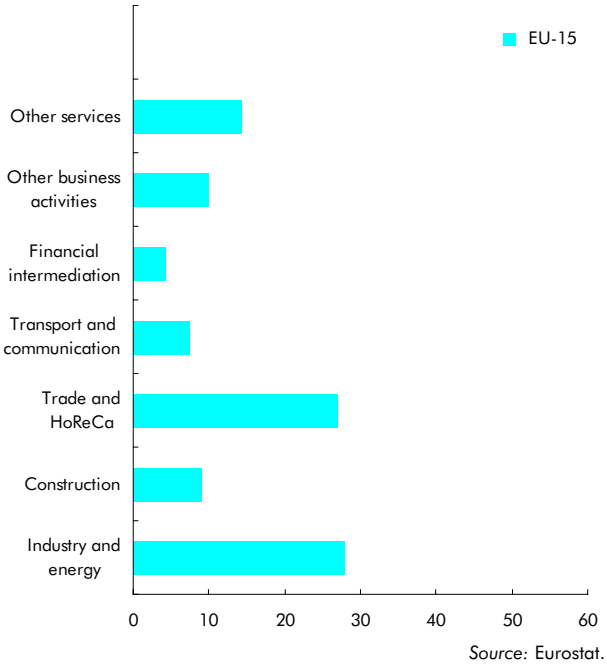
Enterprises in EU-15 — Key figures for 1996

		Number of employees 0 (in %)	1-9 (in %)	10-49 (in %)	50-249 (in %)	250+ (in %)	Total in 1 000s (1)
Industry and energy	Enterprises	34.2	47.0	14.9	3.1	0.8	2 049.1
	Total employment	2.4	12.2	19.9	19.4	46.1	31 210.2
	Turnover	1.4	5.5	13.3	20.3	59.4	4 852 948.0
Construction	Enterprises	54.8	38.1	6.4	0.6	0.1	2 544.0
	Total employment	16.1	33.2	26.9	12.4	11.3	10 138.5
	Turnover	7.7	25.1	29.7	19.6	17.9	898 588.0
Trade and HoReCa	Enterprises	46.5	48.3	4.6	0.5	0.1	6 609.0
	Total employment	13.0	35.1	19.7	9.3	22.9	30 215.3
	Turnover	5.0	25.2	24.5	19.2	26.1	5 025 487.0
Transport and communication	Enterprises	59.8	33.3	5.8	0.9	0.2	976.8
	Total employment	9.1	13.6	14.5	9.9	52.9	8 271.2
	Turnover	4.4	12.7	16.1	15.7	51.0	793 557.0
Financial intermediation	Enterprises	56.3	37.8	3.9	1.3	0.7	308.0
	Total employment	4.2	8.1	5.9	8.6	73.2	4 660.3
	Turnover	0.9	4.0	7.7	20.5	66.8	4 011 715.0
Other business activities	Enterprises	56.4	38.3	4.5	0.7	0.2	2 234.2
	Total employment	12.6	23.0	17.3	13.3	33.8	11 197.1
	Turnover	8.4	23.9	21.3	15.7	30.7	733 048.0
Other services	Enterprises	56.6	38.9	3.9	0.5	0.1	3 706.3
	Total employment	15.3	33.7	16.8	11.1	23.1	16 142.7
	Turnover	12.7	23.3	17.3	18.7	27.9	1 043 206.0
All aggregates	Enterprises	50.4	42.7	5.9	0.8	0.2	18 427.4
	Total employment	10.0	24.4	18.8	13.1	33.8	111 835.3
	Turnover	3.8	14.1	16.8	19.5	45.8	17 358 549.0

(1) Except turnover, expressed in ECU million.

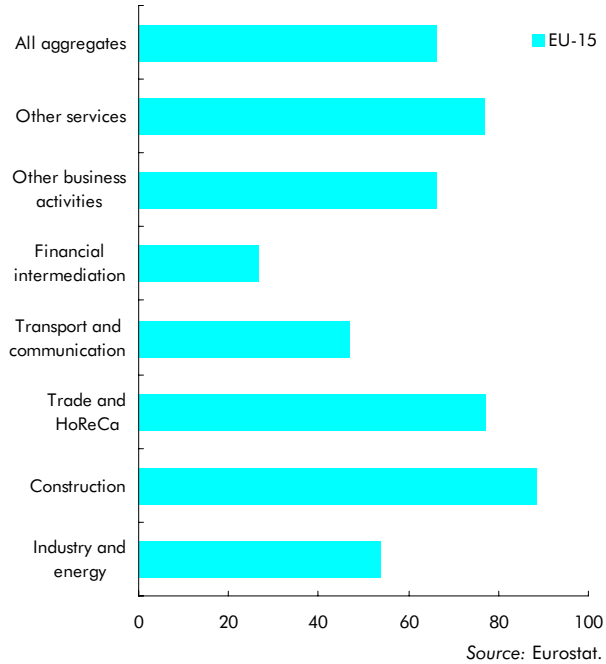
Source: Eurostat.

Shares of sectors in total employment (%) EU-15 — 1996



Source: Eurostat.

Shares of SMEs in sectoral employment (%) EU-15 — 1996



Source: Eurostat.

General macroeconomic indicators EU-15 — 1996

	EU-15		EU-15
Total employment (1 000)	148 584	GDP at market prices (ECU billions)	5 778

Source: Eurostat.

Thematic analyses — The stakes 4

This chapter describes the main features of employment in small and medium-sized enterprises (SMEs) in the EU: these are enterprises with up to 249 employees, and include the working owners of firms with no employees, and the self-employed. Their important role in providing jobs is described in this chapter which is based on a set of data that covers 112 million people who work in the market sectors (other than agriculture, forestry and fisheries), and generate over ECU 17 000 thousand million of turnover annually.

They form part of an overall total of 150 million people at work in the fifteen Member States of the EU, including those in agriculture, forestry, fisheries, public administration and other non-market services, out of a total population of 373 million at the end of 1996, when 40 % were in active employment. A further 11 % were available for work but unemployed.

These 112 million people are employed in 18.4 million enterprises, all but a handful of which are SMEs which provide employment for 74 million out of the total. It is with this picture in view that governments are shaping their policies to make the commercial and regulatory life of SMEs more congenial.

At the EU level in 1996 governments instigated the third multi-annual Programme for SMEs in order to realise their potential as 'a dynamic source of employment, growth and competitiveness in the EU' through increasing the quantity of support made available to them. This programme is now followed by the multi-annual Programme for Enterprise and Entrepreneurship (2001-2005).

In brief ...

- There are 112 million people employed in 18.4 million enterprises within the EU. All but a handful of these enterprises are SMEs which provide employment for 74 million out of the total, yet on average there are only four persons in each.
- By contrast, the largest enterprises, some 36 000 across the EU, account for the remaining one third of employment and have an average persons employed count of more than 1 000;
- SMEs account for 99.8 % of all enterprises, for 66 % of employment, and about 55 % of turnover;
- The service sectors ([1]) account for 75 % of the enterprises, 63 % of total employment, and 67 % of turnover (again excluding agriculture, forestry, fisheries, public administration and non-market services), with construction and industry and energy making up the balance;
- Services account for 71 % out of the 93 % of all enterprises in the two lowest size classes, which represent 26 % of all employment. In the four size classes of SMEs the proportion of services enterprises progressively increases the smaller they are;
- The share of the largest enterprises in employment shows broadly a North-South pattern, the lowest proportion being in the Mediterranean area;
- Women seem to tend to avoid the physically more demanding jobs and those involved with the processing of materials, choosing rather service sector work where personal relationships are more important;
- In the sectors where women are most in a minority, they have higher levels of education than men; the largest local units employ proportionately more persons with high education, both male and female.

([1]) In this chapter a group of industries is taken to form what is widely accepted as the 'services sector', and includes: trade and HoReCa (short for hotels, restaurants and catering), transport and communication, financial intermediation, other business activities and other services.

This is designed to simplify their business regulatory and financial environments and to improve the information available on working partners and market opportunities, and their access to research, innovation and training. There are other schemes to promote entrepreneurship and support particular groups such as women and young persons in business.

As there are over 17 million enterprises with 9 or less employees, the great challenge governments face in contacting these very small firms and making them aware of EU programmes through publicity is all too apparent. It has hitherto been so much easier to contact the relatively few largest enterprises.

Among the 1.6 million new enterprises set up in 1997 in the EU, SMEs are the chief source of job creation and therefore of vital importance in the uphill battle to reduce unemployment. Despite the fact that almost as many also go out of business each year, over the past few years there has been a modest net gain in employment within SMEs.

Where the economic development of any region lags behind the average, the presence of some vigorous SMEs is clearly of importance to help close the gap. For other regions undergoing structural adjustment necessitated by strong foreign competition the same is also true.

Such changes may be increasingly experienced as the globalisation of production and markets impacts deeper into all economies, underlining the importance of SMEs that can react quickly to changed competitive circumstances. SMEs, in all sectors of activity, are also being affected by the information technology revolution which both intensifies the competition and provides new tools to improve their own competitiveness. EU programmes are designed with these factors in mind.

SMES IN THE EU: AN OVERVIEW

Most enterprises are SMEs and they account for an important but lower proportion of employment and turnover

A broad picture of employment in the EU by size of enterprise can be seen in Table 1 and Figure 1, as a reminder of the general context for this chapter on employment. Figures are also given in Table 2 for the number of enterprises that provide this work and their average size and turnover.

It can be seen that SMEs account for 99.8 % of all enterprises, for 66 % or so of employment, and about 55 % of turnover.

The extreme disparity in size of turnover between enterprises is more apparent when viewed from the other end of the size spectrum: about two in every thousand enterprises generate almost 46 % of all turnover, which means that in every 1 000 enterprises, the 998 SMEs have an average turnover of ECU 511 000 and the two larger enterprises an average turnover of about ECU 220 million, or over 400 times as much per enterprise.

Looking at the comparison of data for 1995 and 1996 (Table 2), not much significance can be attributed to the changes in the lowest two size classes over the two years. It can safely be assumed that 'visible' employment increased marginally in 1996 to total almost 112 million, and given a slight increase in the number of enterprises also, the average size of units remained stable.

SMEs account for the majority of EU employment

Enterprises in the EU — Breakdown of enterprises, employment and turnover by employment size class — 1996

Tab. 1

Employment size classes	Enterprises % (1)	Total employment % (1)	Average number of persons employed	Turnover % (1)	Average turnover per enterprise (ECU 1 000)
0	50.4	10.0	1.2	3.8	71
1-9	42.7	24.4	3.5	14.1	310
10-49	5.9	18.8	19.3	16.8	2 686
50-249	0.8	13.1	93.9	19.5	21 732
Total SMEs	99.8	66.2	4.0	54.2	511
250+	0.2	33.8	1 043.8	45.8	219 905
All enterprises (2)	18 427	111 835	6.1	17 359	942

(1) Percentage of 'All enterprises'.
(2) Expressed in thousands for 'Enterprises', 'Employment' and 'Average turnover'; in thousand million for 'Turnover'.

Source: Eurostat — SME database.

Enterprises in the EU — How 1996 compares with 1995

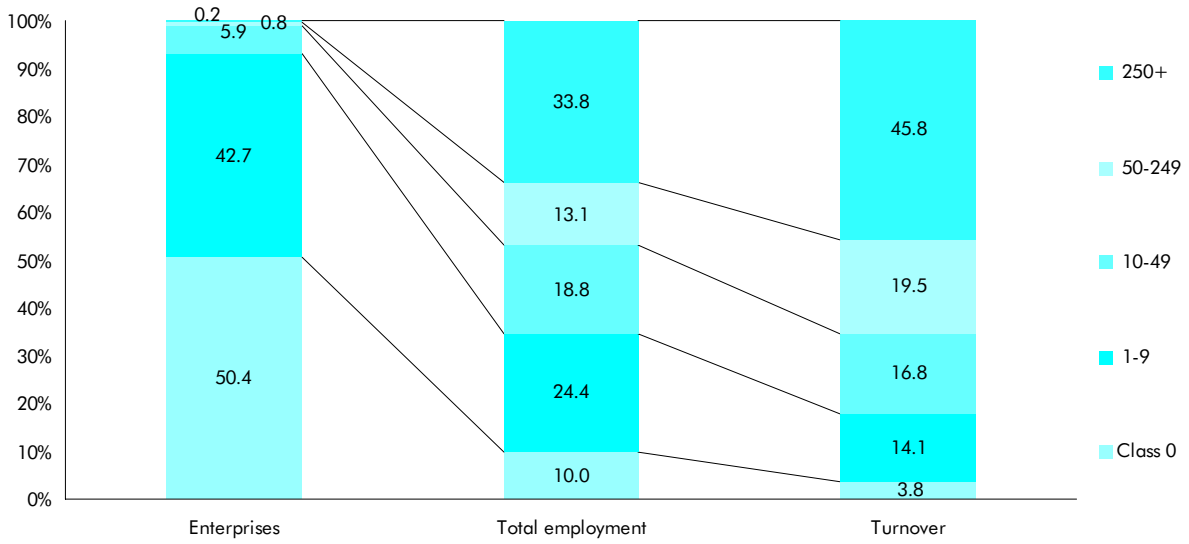
Tab. 2

Employment size classes	Enterprises Thousands 1995	Enterprises Thousands 1996	Total employment Thousands 1995	Total employment Thousands 1996	Average number of persons employed 1995	Average number of persons employed 1996
0	9 348	9 283	11 304	11 143	1	1
1-9	7 657	7 866	26 649	27 291	3	3
10-49	1 079	1 087	20 830	21 009	19	19
50-249	154	156	14 574	14 624	95	94
Total SMEs	18 237	18 391	73 357	74 067	4	4
250+	36	36	37 037	37 768	1 016	1 044
All enterprises	18 273	18 427	110 393	111 835	6	6

Source: Eurostat — SME database.

Enterprises in the EU — Breakdown by employment size class — 1996

Fig. 1



Source: Eurostat — SME database.

4

EMPLOYMENT

SMEs account for the majority of EU employment

Tab. 3 *Enterprises in the EU — The sectoral pattern of the number of enterprises, employment and turnover in 1996 (Absolute figures, percentages of the total and employment in SMEs as a % of total employment in the sector)*

	Enterprises		Total employment		Turnover		Employment share of SMEs
	Thousands	%	Thousands	%	ECU 1 000 million	%	%
Industry and energy	2 049	11.1	31 210	27.9	4 853	28.0	53.9
Construction	2 544	13.8	10 138	9.1	899	5.2	88.7
Trade and HoReCa	6 609	35.9	30 215	27.1	5 025	29.0	77.1
Transport and communication	977	5.3	8 271	7.4	794	4.6	47.1
Financial intermediation	308	1.7	4 660	4.2	4 012	23.1	26.8
Other business activities	2 234	12.1	11 197	10.0	733	4.2	66.2
Other services	3 706	20.1	16 143	14.4	1 043	6.0	76.9
All aggregates	18 427	100.0	111 835	100.0	17 359	100.0	66.2

Source: Eurostat — SME database.

Tab. 4 *Enterprises in the EU — Breakdown of total employment by employment size class — 1996 (%)*

	Class 0	1-9	10-49	50-249	250+	Total
						Thousands
Industry and energy	2.4	12.2	19.9	19.4	46.1	31 210
Construction	16.1	33.2	26.9	12.4	11.3	10 138
Trade and HoReCa	13.0	35.1	19.7	9.3	22.9	30 215
Transport and communication	9.1	13.6	14.5	9.9	52.9	8 271
Financial intermediation	4.2	8.1	5.9	8.6	73.2	4 660
Other business activities	12.6	23.0	17.3	13.3	33.8	11 197
Other services	15.5	34.0	17.0	11.1	23.1	16 143
All aggregates	10.0	24.4	18.8	13.1	33.8	111 835

Source: Eurostat — SME database.

Tab. 5 *Enterprises with no employees as a proportion of total sectoral employment — 1996 (employment in size class '0' as a % of total sectoral employment)*

	Industry and energy	Construction	Trade and HoReCa	Transport and communication	Financial intermediation	Other business activities	Other services	All aggregates
EU-15	2.4	16.1	13.0	9.1	4.2	12.6	15.3	10.0
EUR-11	2.1	9.9	14.1	8.2	4.5	11.6	15.4	9.3
B	4.4	23.2	27.3	6.7	1.7	24.0	27.5	18.8
DK	1.7	5.7	6.8	5.5	0.6	9.4	12.0	5.1
D	0.8	2.5	6.5	2.3	4.1	4.7	6.4	3.9
EL	4.1	20.8	35.1	28.9	6.4	..	..	25.6
E	4.2	19.1	26.2	31.0	10.2	21.3	24.8	19.4
F	2.4	12.8	12.7	5.3	3.7	8.7	32.8	11.1
IRL	..	..	4.1	4.6	0.3	3.2	..	3.6
I	3.4	13.2	20.7	8.6	5.4	26.5	26.4	13.2
L	0.6	1.3	9.5	2.4	1.1	8.6	17.8	5.6
NL	..	..	9.4	3.4	1.3	10.3	..	5.5
A	0.7	1.0	5.3	1.7	1.3	6.1	9.5	3.4
P	0.5	0.4	0.8	0.4	2.0	1.2	2.2	0.7
FIN	1.7	8.9	6.8	6.8	1.7	8.5	17.1	5.7
S	1.8	7.6	6.5	2.1	1.7	..	..	5.0
UK	4.5	48.4	6.6	13.5	3.5	16.6	15.2	12.3

NB: data are for VAT units in Belgium and legal units in Finland.

Source: Eurostat — SME database.

Service sectors dominate the picture in numbers of enterprises, employment and turnover

The share of employment in the EU in 1996 accounted for by SMEs in seven broad sector categories is shown in Table 3.

These figures show firstly that the service sectors account for 75 % of the enterprises, 63 % of total employment, and 67 % of turnover (again excluding agriculture, forestry, fisheries, public administration and non-market services), with construction and industry and energy making up the balance of 25, 37 and 33 % respectively. Within this overall picture, the proportion of employment in SMEs is the lowest in financial intermediation.

In another two sectors, where there are also economies of scale likely to be found, coupled with a high capital intensity — industry and energy, and transport and communication — SMEs provide only about half the total of the sector employment. In the other business activities sector it rises to two-thirds; to over three-quarters in other services and trade and hotels, restaurants and catering; and to almost 90 % in construction. This picture of SMEs accounting for a very high proportion of employment in construction is also found in the USA ([1]).

A more detailed picture of the proportions of employment in the five enterprise size classes in each sector is given in Table 4. The pattern of employment varies markedly by sector, and only in other business activities, accounting for 10 % of total employment, does it match the average, where the highest proportions are found in the large, very small, and small enterprises in that order.

Three sectors are concentrated into the larger size categories, with over 63 % being in the top two, the most extreme being financial intermediation (at 82 %), with industry and energy and transport and communication at 65 and 63 % respectively. At the other end of the scale construction, trade and HoReCa and other services have between 60 and 50 % of employment in very small and small enterprises. In four sectors the lowest proportion of employment is in the 'without employees' size class: industry and energy, transport and communication, financial intermediation and other business activities — which lie between only 2 and 13 %.

Service sector enterprises dominate those with no employees and the very small enterprises, but account for a far lower proportion of employment

The most challenging 'zone' in statistical terms is at the lowest end of the scale — the enterprises with no employees — due to their number and varying configurations. This category of enterprises with no employees, which can sound a little strange, ideally sets out to include not only the owner-only enterprises, but also the self-employed without employees, and the latter can comprise partnerships which in some countries have no separate legal existence apart from their individual, self-employed, partners ([2]). Figures for this category compiled for the EU as a whole, show that there are at least 10 million people involved (see Tables 2 and 4). Table 5 shows the share of employment in size class '0' as a percentage of total employment for each Member State.

Because in recent years there has been a big increase in self-employment, mainly due to the flattening of management levels and out-sourcing, and because many high value-added professional and business service enterprises start out this way — or as entities with one or more owners — it is one of the most lively and important fields for the growth of jobs.

The proportions of enterprises in the two lowest size classes taken together is a significant feature in the different sectors and size categories, as can be seen in Table 6 (p. 95): together they account for 93 % of the total. Amongst these:

- 39 % of all enterprises are in the service sectors and in size class '0' (i.e. they consist of owners and the self-employed without any employees); and a further
- 32 % of all enterprises are in the service sectors and in size class '1-9' (i.e. they have between 1 and 9 employees).

Thus 71 % of all enterprises in the economy of the EU consist of enterprises with no employees and very small enterprises in the service sectors — however these

([1]) See 'SMEs and employment: a comparison between the EU, the USA and Japan', Eurostat, Statistics in Focus, Theme 4 — 16/99, June 1999.

([2]) See the 'Methodological summary', pp. 190-195.

enterprises employ under 26 % of all persons employed (see Table 7). When construction is grouped in as well, these figures rise to 84 and 30 % respectively. A further 9 % of enterprises with no employees and very small enterprises are in industry and energy and employ 4 % of the total. In total these two lowest size classes ('0' and '1-9') account for 34 % of all employment.

The second size class is the dominant employer among the smallest two

Although the numbers of enterprises are of the same order of magnitude in each of these two lowest size ranges, the number of persons in the '1-9' class is about two and half times as much as in the '0' class (i.e. 27.3 million, average size 3.5 persons per enterprise, and 11.1 million, average size 1.2, respectively — see Table 2).

A further third, more or less, of the total persons employed in the EU are in the remaining 7 % of enterprises in the SME size ranges '10-49' and '50-249' (i.e. 21.0 and 14.6 million, respectively — see Table 2).

The proportion of employment in services in SMEs progressively increases the smaller the enterprises are

As already mentioned, and as shown in Tables 6 and 7, 75 % of enterprises are supplying services, and account for 63 % of all employment, and within this sector, virtually all (99.9 %) are SMEs which account for 43 % of total employment in all industries. It could be that these figures are understated due to the way enterprises are classified by their major activity.

For instance, where a manufacturer produces both goods and services within the same enterprise, the services proportion gets hidden in the manufacturing activities whenever goods production predominates. This may result in a bias in favour of manufacturing because it is probable that relatively fewer services enterprises carry on manufacturing as a secondary activity.

As a result of the dominance of service enterprises in the lowest two size ranges, the overall EU figures for 1996 reveal an interesting pattern: that the ascending size ranges of SMEs show a decreasing proportion in the service sector — and this is even more marked if services and construction are added together (see Table 8). This may however be a little misleading due to the many manufacturing enterprises that offer services activities, often as part of the maintenance and after care of their products, which cannot be assessed from the figures.

It is difficult to speculate about the way in which this picture will have changed during the past three years. It is likely that the proportion of enterprises and employment in the service sector has gone on growing as the information society continues to create more jobs, particularly in those professional and business services (including computer software and Internet web site services) used by firms in all sectors: they may be continuing to grow faster than any other activity. However, in the telecoms sector, despite rapidly growing turnover, the newly privatised enterprises may be continuing with downsizing following the removal of protection from competition they enjoyed as state monopolies.

THE SHARE OF SMES IN TOTAL EMPLOYMENT IS HIGHER IN THE SOUTHERN MEMBER STATES

The share of employment in Member States accounted for by SMEs varies widely (as shown in the Table 9) ranging from a high of over 86 % in Greece, to a low of 55 % in the UK, with the position for the other four major economies being: 60 % in Germany, 67 % in France and 80 % in Italy and Spain (the latter five economies account for some 80 % of the EU total for enterprises, employment and turnover).

The more detailed figures shown in Figure 2 (p. 96) for enterprises with no employees reveal no particular geographical pattern.

Portugal and Italy have the largest proportion of employment in very small enterprises (the '1-9' range) which provide over one third of all jobs, and this class is also a notable feature of all countries, particularly with Greece, Spain, Belgium and Germany being above or at the EU average.

The small enterprises group (10-49) is relatively homogeneous across countries, but if taken with very small enterprises together they account for over 47 % of employment in Portugal, Italy, Spain and Greece, well above the EU average of 43 %.

Medium-sized enterprises feature more strongly, in terms of employment, in the smaller EU countries, particularly Luxembourg, Ireland, Austria and the Netherlands.

SMEs in the EU — The proportional breakdown of enterprises — 1996 (%)

Tab. 6

	Employment size class						Of which
	Class 0	1-9	10-49	50-249	250+	Total	SMEs
Industry and energy	3.8	5.2	1.7	0.3	0.1	11.1	11.0
Construction	7.6	5.3	0.9	0.1	0.0	13.8	13.8
Services	39.0	32.2	3.4	0.4	0.1	75.1	75.0
All aggregates	50.4	42.7	5.9	0.8	0.2	100.0	99.8

Source: Eurostat — SME database.

SMEs in the EU — The proportional breakdown of employment — 1996 (%)

Tab. 7

	Employment size class						Of which
	Class 0	1-9	10-49	50-249	250+	Total	SMEs
Industry and energy	0.7	3.4	5.6	5.4	12.9	27.9	15.1
Construction	1.5	3.0	2.4	1.1	1.0	9.1	8.1
Services	7.8	18.0	10.8	6.5	19.9	63.0	43.1
All aggregates	10.0	24.4	18.8	13.1	33.8	100.0	66.2

Source: Eurostat — SME database.

Employment in services — the proportion in EU SMEs — 1996 (employment in services as a % of employment in 'All aggregates' by size class)

Tab. 8

	Employment size class						
	Class 0	1-9	10-49	50-249	Total SMEs	250+	All enterprises
Services	78.5	73.7	57.5	50.0	65.1	58.9	63.0
Services and construction	93.1	86.0	70.5	58.6	77.3	61.9	72.1

Source: Eurostat — SME database.

Enterprises in the EU — Distribution by country — 1996

Tab. 9

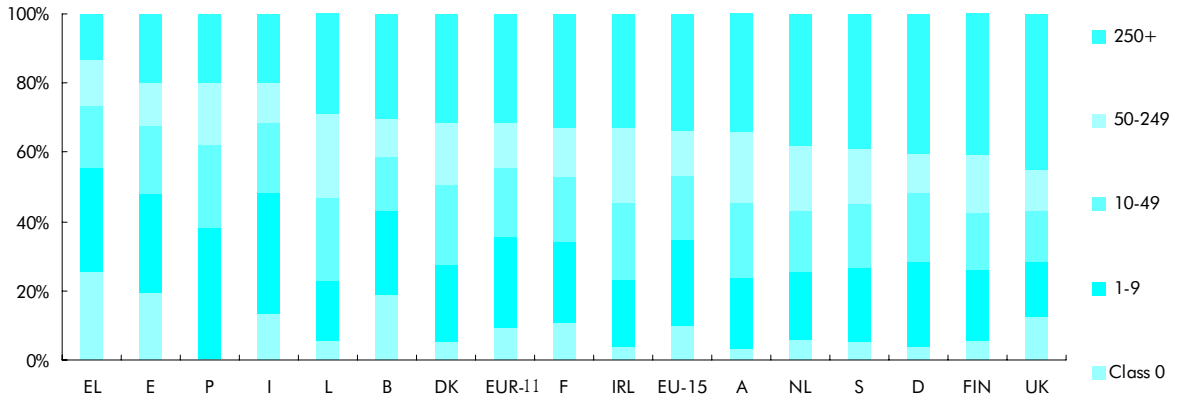
	Enterprises ([1])	Total employment	Turnover	Share of SMEs in total employment
	Thousands	Thousands	ECU 1 000 million	%
EU-15	18 427	111 835	17 359	66.2
EUR-11	13 975	86 293	11 608	68.5
B	518	3 082	474	69.5
DK	164	1 540	240	68.7
D	3 261	29 040	4 015	59.7
EL	733	1 695	350	86.5
E	2 402	11 073	1 166	80.2
F	2 322	16 222	2 525	67.3
IRL	77	768	238	67.3
I	3 799	14 161	1 681	79.7
L	19	187	62	70.9
NL	516	5 321	663	62.1
A	226	2 352	349	66.0
P	642	2 990	214	80.0
FIN	194	1 098	221	59.1
S	243	2 132	388	61.3
UK	3 313	20 176	4 773	55.1

([1]) VAT units in Belgium; legal units in Finland.

Source: Eurostat — SME database.

Fig. 2

Breakdown of total employment by size class — 1996 (by decreasing order of the share of SMEs in employment)



NB: data are for VAT units in Belgium and legal units in Finland.

Source: Eurostat — SME database.

Tab. 10

Men and women in employment (1) Breakdown of employment by sector, sex and local unit size — EU-15, 1996 (%)

	Employment size class							
	Class 1-10		11-49		50+		All units	
	Men	Women	Men	Women	Men	Women	Men	Women
Industry and energy	68.3	31.7	71.7	28.3	74.7	25.3	72.5	27.5
Construction	88.9	11.1	89.5	10.5	89.0	11.0	89.1	10.9
Trade and HoReCa	49.0	51.0	51.3	48.7	48.8	51.2	49.6	50.4
Transport and communication	72.6	27.4	77.1	22.9	75.8	24.2	75.2	24.8
Financial intermediation	52.4	47.6	47.9	52.1	51.2	48.8	50.9	49.1
Other business activities	46.2	53.8	46.6	53.4	53.6	46.4	48.6	51.4
Other services	33.5	66.5	31.9	68.1	33.9	66.1	33.3	66.7
All aggregates	55.7	44.3	58.8	41.2	61.5	38.5	58.8	41.2

(1) These data relate to local units and the size classes are defined in terms of the number of persons working at the local unit.

Source: Eurostat — LFS database.

Tab. 11

Self-employment of men and women (1) Breakdown of self-employment by sector, sex and local unit size — EU-15, 1996 (%)

		Self-employed without employees	Self-employed with ... persons working at the local unit			
			1-10	11-49	50+	All units
Industry and energy	Men	74.8	86.2	89.6	81.0	86.5
	Women	25.2	13.8	10.4	19.0	13.5
Construction	Men	97.7	96.0	95.9	92.8	96.0
	Women	2.3	4.0	4.1	7.2	4.0
Trade and HoReCa	Men	65.2	71.7	78.8	83.7	72.6
	Women	34.8	28.3	21.2	16.3	27.4
Transport and communication	Men	94.3	86.1	89.5	75.7	86.4
	Women	5.7	13.9	10.5	24.3	13.6
Financial intermediation	Men	73.3	89.8	79.8	80.1	88.6
	Women	26.7	10.2	20.2	19.9	11.4
Other business activities	Men	69.8	81.5	90.4	88.1	83.2
	Women	30.2	18.5	9.6	11.9	16.8
Other services	Men	51.3	64.3	75.1	66.9	65.5
	Women	48.7	35.7	24.9	33.1	34.5
All aggregates	Men	71.6	77.9	85.3	83.1	78.9
	Women	28.4	22.1	14.7	16.9	21.1

(1) These data relate to local units and the size classes are defined in terms of the number of persons working at the local unit.

Source: Eurostat — LFS database.

The share of the largest enterprises in employment shows a broadly North-South pattern, the lowest proportion being in the Mediterranean area and the highest proportion in the North. In Greece a little more than one in every ten persons employed works in a firm with 250 employees or more — and the figure for Italy, Portugal and Spain is two in ten. At the other end of the scale, the UK has over four persons employed in ten working in large enterprises, and Germany and Finland almost exactly four in ten. The EU average is over three in ten, to which figure the proportions of most of the other Member States lie close.

The euro-zone average is little different from that of the EU, with a slightly lower share of both the largest and smallest sized enterprises in employment.

In broad terms the southern European countries have higher proportions of employment in SMEs and thus relatively lower ones in the largest enterprises. Therefore, for these countries, government policies to stimulate the growth of SMEs, to simplify their business regulatory and financial environments, to increase the information available on working partners and market opportunities, and to facilitate their access to research, innovation and training, are of very great importance.

EMPLOYMENT PATTERNS

Little has been published about employment conditions in the smallest firms, though as already seen, two key figures stand out clearly from which the importance of the issues can be inferred: about half of all EU enterprises are enterprises with no employees, and about half of all employment is in enterprises with up to 49 employees (see Table 1).

The European Labour Force Survey uses a harmonised questionnaire across the EU to obtain information on the balance between the genders, the nature of employment contracts, working hours, occupational status and levels of education. These data relate to local units and distinguish between 3 size classes, i.e. local units with 1 to 10 persons working at the local unit, local units with 11 to 49 persons working and local units with 50 and more persons working ([1]).

Results from the EU Labour Force Survey (see Tables 10 and 11) reveal that the pattern of employment in the small local units is somewhat different from that in the largest ones. For instance, the share of women in local units in the '1-10' size range is higher in several sectors and in most sectors the educational level in this size range is lower — as noted in the section below.

Though not shown in these tables, the share of young workers (15-24 years old) is higher in the small and medium-sized local units, and in manufacturing the share of crafts and related trades jobs is the highest in the small local units, whilst in the largest units there are proportionaly more managerial, scientific and administrative posts, in addition to the basic technical occupations. In the trade and hotels, restaurants and catering sector as units grow in size the proportion of sales and service jobs goes down in comparison with simpler activities and administrative occupations.

The stability of jobs in small units is lower than in the largest, with more persons employed working part-time, or, in several sectors, the proportion of those remaining for short periods being higher than the average in employment with the same employers, as described in the Fifth Report.

Table 11 reveals that the proportion of women among the self-employed is lowest in the construction sector and highest in other services — women almost equalling men where they have no employees, but only accounting for just over half in all self-employed of this sector. Taking all sectors together, women account for about one in five of the self-employed total, and for self-employed with no employees the proportion is even higher, except in construction and transport and communication. The proportion of self-employed women with 50 or more persons working at the local unit, is higher than average in all sectors other than construction, trade and HoReCa and other business activities, whereas for those without employees the pattern is mainly different with the proportion being lower in industry and energy, construction, transport and communication, and financial intermediation.

([1]) See the methodological box at the end of this chapter for further details, p. 101.

4

EMPLOYMENT

SMEs account for the majority of EU employment

The pattern of employment in EU manufacturing industry has been greatly affected by two separate trends: the loss of lower paid, lower skill jobs to the developing countries, and the outsourcing of most service functions in order to concentrate on core skills. Both have resulted in fewer jobs and higher proportions of employees on short-term conditions of employment.

By contrast the service sector has grown strongly through the creation of new higher paid jobs in SMEs in a wide range of business and high-tech services, as well as by providing logistical services and the more routine, less well paid services to manufacturing, such as industrial cleaning, property maintenance and security and secretarial services. Within the service sector there has also been outsourcing, with some routine back office work, for instance, going to developing countries, such as data entry for management and accounting systems, as well as consolidation in the large retail sector resulting in fewer 'front line' staff directly serving shoppers.

EDUCATION LEVELS ARE LOWER IN SMALL AND MEDIUM-SIZED LOCAL UNITS AND VARY A LOT BETWEEN SECTORS

In the context of the seven main economic sectors, proportionately more persons employed for both sexes with the 'high' level of education are generally to be found in other business activities, other services and financial intermediation (Table 12). For men this is markedly so in other business activities and other services where the proportion is double the all-sector average, and for women in other services it is nearly double.

In two other sectors: industry and energy, and construction there are double the proportion of men with the 'high' education in the largest units compared with those in the '1-10' size range, as is also the case for women in construction.

Tab. 12

Levels of education ([1])
Level of education by sex, sector and local unit size — EU-15, 1996 (%)

		Employment size class											
		Class 1-10			11-49			50+			All units		
		High	Medium	Low	High	Medium	Low	High	Medium	Low	High	Medium	Low
Industry and energy	Men	11.4	40.2	48.4	14.5	47.3	38.2	22.0	46.9	31.1	18.2	45.5	36.4
	Women	7.7	40.7	51.6	8.6	45.6	45.8	12.6	43.7	43.6	10.5	43.3	46.3
Construction	Men	9.4	41.3	49.3	10.8	55.1	34.1	18.3	53.5	28.2	12.3	48.8	38.9
	Women	10.8	56.3	32.9	15.1	60.6	24.3	19.5	56.9	23.6	14.5	57.7	27.8
Trade and HoReCa	Men	11.4	44.6	44.0	13.7	50.1	36.3	16.3	50.5	33.2	13.2	47.5	39.3
	Women	8.9	46.5	44.6	8.4	51.0	40.6	8.6	49.9	41.6	8.7	48.4	42.9
Transport and communication	Men	8.1	45.9	46.0	8.7	48.8	42.4	16.5	48.4	35.1	12.5	47.8	39.7
	Women	12.0	55.6	32.4	12.4	56.8	30.9	16.7	55.1	28.2	14.4	55.6	30.0
Financial intermediation	Men	28.3	55.5	16.2	30.1	52.9	17.0	35.4	48.2	16.4	32.4	51.2	16.4
	Women	17.7	59.8	22.6	13.6	59.6	26.8	18.0	58.0	24.0	17.0	58.8	24.2
Other business activities	Men	48.4	31.8	19.8	47.3	33.4	19.3	42.6	34.1	23.3	46.1	33.0	20.9
	Women	23.6	49.6	26.9	20.7	47.8	31.5	22.0	36.1	41.9	22.4	45.3	32.3
Other services	Men	35.7	36.0	28.3	34.7	39.1	26.2	44.2	35.7	20.1	39.2	36.5	24.3
	Women	22.1	46.2	31.7	25.9	43.2	30.9	34.4	42.5	23.1	28.2	43.9	27.8
All aggregates	Men	16.4	41.7	41.9	17.5	48.1	34.5	24.4	46.3	29.3	20.1	45.2	34.7
	Women	14.4	47.0	38.6	15.7	48.2	36.1	20.8	45.9	33.2	17.2	46.9	35.9

([1]) These data relate to local units and the size classes are defined in terms of the number of persons working at the local unit.

Source: Eurostat — LFS database.

However, in two sectors — trade and hotels, restaurants and catering and other business activities — there are proportionately most women with the 'high' education in these small units, whereas this is so for men only in other business activities. In financial intermediation and other services the highest proportion with the 'high' education level for both men and women are in the largest units.

The strong proportion of persons employed with a high level of education in financial intermediation, other business activities and, particularly marked, in other services, is such that it depresses the proportion in the four other sectors to below the average for all size classes totals. Put another way, a higher proportion of men with the lowest level of education are found in the industry and energy, construction, trade and HoReCa, and transport and communication sectors.

It seems likely that this pattern will be reinforced as further high-paying jobs are created in the financial, information, computing and business services sectors, partly as a result of outsourcing by manufacturers whose products include ever higher levels of services in their added value.

The proportion of women in the largest units in the industry and energy, trade and hotels, restaurants and catering, financial intermediation and other business activities sectors with the 'high' educational level, is only half that of the men, whereas the difference is much less marked in other services where the proportion is more than three quarters that of men, but it should be recalled that there are far fewer women than men working in manufacturing. In construction and transport and communication the proportion of women with 'high' educational levels is higher than that for men in all size ranges. Unfortunately, the number of women working in construction is too low for reliable comparisons to be made between Member States.

Although (as described in the Fifth Report) the difference in educational levels in the EU varies relatively little across the three size ranges of local units, this masks the fact that in nine of the Member States there are proportionately more women with 'high' education in the middle range (local units with between 11 and 49 persons).

The labour costs per person employed can be largely explained by reference to education levels. Manufacturing enterprises in the '50-249' size range report such costs as being up to 80 % higher than those in the very small range (1-9 employees), and some of the largest enterprises (with 250 or more employees) have costs over 100 % higher (see *Enterprises in Europe, Fifth Report*).

It is often the case that cultural attitudes in Europe result in women shunning the more physically demanding jobs and ones concerned with industrial processes, and seeking out those where personal contacts are more important in service sectors. This seems largely to explain the current pattern of employment for women. In sectors where they are most in a minority they have higher education levels.

As the knowledge intensive part of the economy continues to increase it is likely that the numbers of women that enter employment, rather than concentrate on family responsibilities, will rise to match the male proportion in all but a few activities. In the modern economy the emphasis has to be not only on raising the standard of general education, but also on the training available for the workforce during their active working life.

CONCLUSIONS

This brief survey of employment in SMEs is on much firmer ground than would have been possible only a few years ago, due to the great steps forward made by Member States in harmonising their statistical survey and compilation methods, particularly for the enterprises with no employees and the self-employed.

The picture it reveals is of significance for government policy making given the importance of employment among their social aims, the sheer numbers of small enterprises, and the vitality in job creation they display. The proportion of employment in the service sector has probably continued to grow and these activities are dominant in the lowest size classes, where the barriers to entry are lowest. It is likely that the lower proportion of SMEs in some of the northern Member States is due to the faster growth in the past in numbers of the largest firms, rather than recent faster formation of smallest SMEs in the southern countries.

It is to be expected that job stability is lower in the smallest units, as many of them are family businesses, and because close to a tenth of all firms cease to exist each year. Even in the largest firms average job stability will probably drop as they strip out non-core activities, adjust to shorter product cycles due to faster innovation, and strive to meet increasing global competition. Even stable jobs do not translate into 'good' jobs, and there must be concern at the high proportion of workers in low-skilled occupations for which demand is declining — one of the underlying causes for the increasing income dispersion which is becoming another central concern for governments.

There are signs of market failure in the provision of up-skilling and retraining for the large group of workers who individually bear the labour market risk because they are self-employed or in firms too small to provide it for them. This will be one of the factors leading to higher periods of unemployment for many in the EU who have not withdrawn from the job market. Non-capitalised intangible assets (which increase with 'use') are the key value generators for the future, and are created by the skill and experience of workers who are inherently mobile.

The proportion of women in the working population will tend, probably, to approach that of men, although they may bypass certain activities as a result of cultural and social attitudes to physically challenging production work and turn instead towards the attraction of the personal contact that many jobs in the service sector can provide. In four out of seven sectors the proportion of women with medium and low levels of education is higher (in both levels) than that for men, and higher in one or other in the three other sectors, presumably the result of proportionately fewer women in the past going to university. It can also be assumed that the proportion of women with part-time jobs is higher than for men in many sectors, if not all.

METHODOLOGY

Sources

The main source used in this chapter is the SME database, a complete description of which is given in the methodology at the end of this publication, which provides in particular data on employment by enterprise size classes for the EU, the euro-zone, their Member States, Iceland, Norway and Switzerland ([1]). Owing to methodological changes in the data received from several Member States, notably Belgium, Denmark, Germany and Portugal, some data, concerning in particular the distribution by country of enterprises in the EU and the breakdown of total employment by size class, reproduced in the chapter, are not directly comparable with those published in the Fifth Report. Another source used is the Labour Force Survey which is presented below.

The Labour Force Survey database

The data on employment conditions and education levels are taken from the Eurostat Labour Force Survey database annually, which contains information relating to about 700 000 households. These surveys obtain information on a number of characteristics of the population related to working conditions and levels of education.

These data relate to local units and the size classes are defined in terms of the number of persons working at the local unit.

Data on self-employment cover self-employed without employees and self-employed with employees. Self-employed persons with employees are defined as persons who work in their own business, professional practice or farm for the purpose of earning a profit, and who employ at least one other person.

The three educational levels used are a composite of school and professional educational achievements, where 'high' denotes a university degree (or equivalent level of professional or vocational education), 'medium' denotes completion of secondary schooling, and 'low' completion only of the first stage of secondary schooling or less. Eurostat requires the International Standard Classification of Education (ISCED 1997) of Unesco to be followed (although compilation of such figures is not compulsory for Member States) which provides for more than three levels, but due to the problems Member States have in allocating their national qualifications to this wider range, the present simplified set is used in this chapter. Further explanation can be found in the publication 'Labour Force Survey — Methods and Definitions — 1992 Series'.

Data limitations

As to the numbers engaged in the shadow or 'black' economy, this probably varies widely between Member States. This is a major source of uncertainty surrounding the employment picture.

Employment figures taken from surveys of enterprises do not of course show the changing picture for unemployment, for which figures are usually obtained from household surveys and administrative records, such as those kept by labour exchange offices.

([1]) It should be noted that the unit taken into account is not the enterprise but the VAT unit in Belgium and the legal unit in Finland.

This chapter investigates the extent and nature of regional, rather than national, variations in business structures across the European Union. It examines regional differences in densities of micro, small and medium-sized, and large local units, in unit size structures by sector, and in the degree of specialisation within a region's population of small and medium-sized local units upon manufacturing, high-technology industry, and financial and business services.

A novel feature is its assessment of whether or not systematic variations exist in these indicators between groups of EU regions defined by their level of urbanisation (urban-rural) or recent economic growth (fast growth-slow growth).

Regional differences in the role and importance of small and large business units are of concern from the perspective of EU regional policy, and EU structural fund initiatives have often sought to assist small and medium-sized business units as one way of helping modernise and enhance the economic performance of lagging and less developed EU regions.

Numbers of SMEs, and of high technology and business service firms, appear to have been growing in the EU in the 1990s, and this chapter helps throw light on where such growth is likely to have been concentrated, as a broad context for EU regional policy action.

At the same time, it must be stressed that the EU's regions are very diverse in socio-economic characteristics, such as level of urbanisation, market demand, natural resources, labour market attributes, supplier and subcontracting opportunities, and telecommunication and transport infrastructure. All these factors, as well as geographical location and cultural and institutional differences, affect regional variations in entrepreneurship, SME growth and large firm investment and disinvestment decisions.

The regional data and definitions used in this chapter are outlined in the 'Methodology' section at the end. Local units, which are examined in this analysis, are defined as enterprises or parts thereof situated in a geographically identified place ([1]).

In brief ...

- There are significant regional variations within the European Union in the density of micro, small and medium-sized (SMU), and large local units. There are clear north-south divides in the density of micro units (units with no employees) and small and medium-sized units in several EU countries (France, Italy, the United Kingdom), and a striking European-wide centre-periphery pattern in large unit densities.
- High densities of small and medium-sized units are concentrated in northern Italy, Portugal and Spain, with very low densities in Finland, Sweden and in the UK. Italian, Spanish and to a lesser extent UK regions have high densities of micro units (units with no employees).
- There are marked regional variations in SMU specialisation on different sectors. Specialised small and medium-sized units manufacturing regions are most characteristic of northern Italy and parts of France, whereas specialised small and medium-sized units high-technology regions are focussed on central and southern Germany, northern Italy, and Europe's major metropolitan regions.
- Business unit structures differ between Europe's urban and rural regions. Europe's urbanised regions have somewhat higher densities of smaller business units while rural regions exhibit greater manufacturing small and medium-sized unit specialisation.
- Business structures also differ between fast-growth and slow-growth regions. Europe's fastest-growing regions tend to have relatively high densities of small and medium-sized units, but low densities of large units. In the 1990s, small and medium-sized unit specialisation on manufacturing has been associated with poor regional economic growth.

([1]) See the methodological box at the end of this chapter, pp. 125-126.

4 THE DENSITY OF SMALL AND MEDIUM-SIZED LOCAL UNITS: A key to EU regional development?

Wherever possible, the most recent regional local units data (for 1996) is used. It is important to note, however, that no data was available for Denmark, Greece, Ireland, Luxembourg and the Netherlands, and these countries had therefore to be omitted from the analysis. Lack of data also enforced omission of some other countries for particular analyses.

The regional data distinguish between three size-classes of local units:

- micro (with no employees);
- small and medium-sized (with 1 to 99 employees, or 'SMUs') and
- large (with 100 or more employees) ([1]).

The particular sectoral groupings used in this chapter are outlined in the methodology box.

REGIONAL BUSINESS STRUCTURES DIFFER BETWEEN NORTH AND SOUTH, CENTRE AND PERIPHERY

The first three maps (pp. 105-106 and p. 108) plot regional variations in the density of local units of different size classes relative to the total economically active population of the region (aged 15 and over) in 1996 ([2]).

The first of these (p. 105) shows the density of micro units for regions in the eight European countries for which data were available. The highest densities are concentrated in Italy, Spain and to a lesser extent, the United Kingdom, whose three most southern regions fall into the top quarter of EU regions analysed. High densities in most of Italy and in Spain reflect, in part at least, their historic enterprise and small firm cultures favouring family businesses and sole proprietorships.

But the nature of Italian and Spanish micro firms almost certainly varies from that of their counterparts in the UK, with a greater concentration in southern Europe in agriculturally-related activities, tourism, construction, retailing and local services (together with manufacturing in Italy), but with more single-person professional, financial and business service enterprises, and consumer, media and entertainment services catering for high-income demand, in the UK, especially southern England.

Another interesting feature of the micro unit density map is the existence of a north-south divide — higher densities in the south, lower in the north — within both the UK and France. The UK north-south divide reflects both demand and supply-side regional differences, with a concentration both of market demand and potential entrepreneurs in southern rather than northern Britain. Southern England sectoral specialisation on growing service industries, with their often low barriers to entry and hence small firm structures, rather than on declining manufacturing, is also involved.

Lower micro unit densities in regions of both northern Britain and France probably reflect the influence of historic specialisation on large-scale and declining 19th-century heavy industry and mining sectors, whose cultural and labour market legacies provide only limited encouragement to small firm entrepreneurship.

In both countries, but especially France, more attractive living conditions and environments in capital cities and southern regions may also play some part in attracting enterprising migrants and hence stimulating higher micro firm formation rates there.

Finally, all the regions of Austria and Portugal, and to a lesser extent of Finland and Sweden, exhibit below-median — and often very low — micro-unit densities. This seems to point to the existence of distinctive national, rather than regional, patterns of relatively low incidence of self-employment and micro-unit creation and activity in these four countries, perhaps for socio-cultural as well as economic reasons.

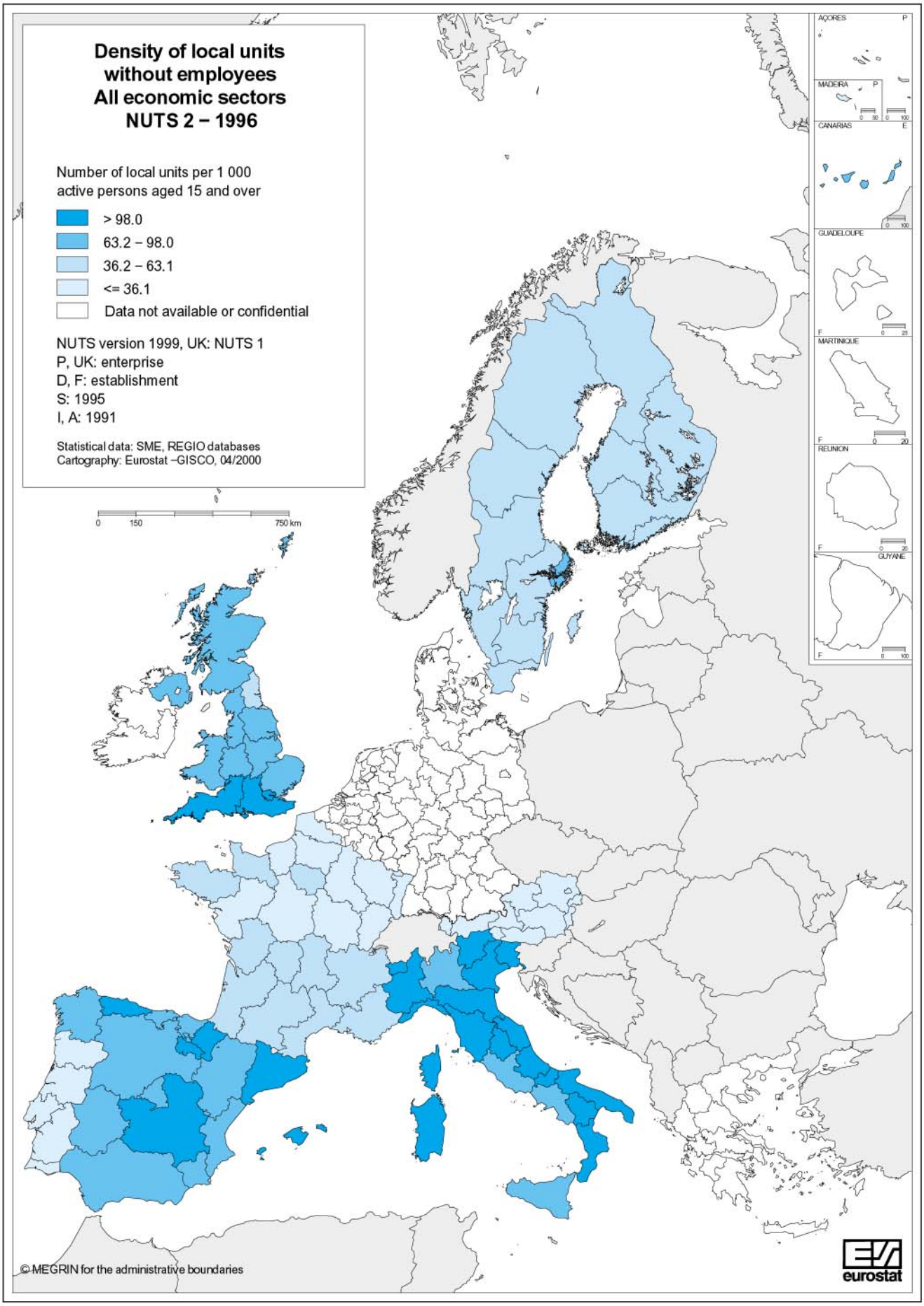
The small and medium-sized local unit (units with between 1 and 99 employees) density map (p. 106) also reveals considerable regional variations within and between European countries. With Germany now included, the highest small and medium-sized unit densities are recorded by Spain, Portugal, northern Italy and Austria. Southern France (and Paris) also record above-median ([3]) small and medium-sized unit densities, as does a small group of European 'core' regions clustered around the Belgian-German border.

([1]) See details in the methodological box at the end of this chapter, pp. 125-126.

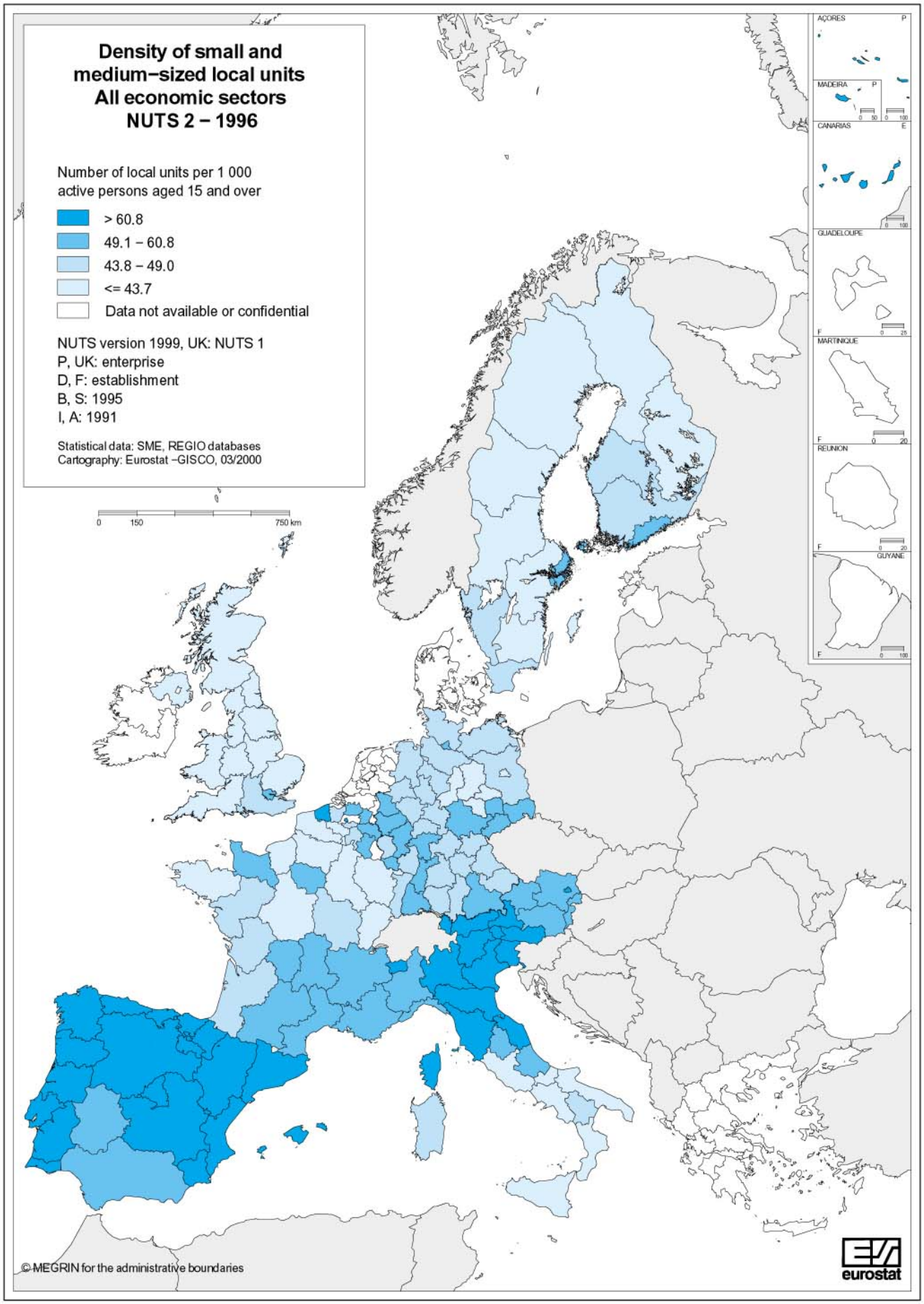
([2]) All maps and figures of this chapter are based on the quartiles of the observed distribution (see definition in the 'Results methodology' section, p. 126).

([3]) The median is defined as the value which occupies the central position in a series of values ranked by size.

The density of small and medium-sized local units



4 THE DENSITY OF SMALL AND MEDIUM-SIZED LOCAL UNITS: A key to EU regional development?



The density of small and medium-sized local units

Very high small and medium-sized unit densities in Spain, Portugal and northern Italy again reflect positive socio-cultural and sectoral influences, together with northern Italy's famous 'industrial district' phenomenon (for example, in Toscana). High northern Italian densities however contrast strikingly with low SMU frequencies in most of the Mezzogiorno ([1]), reflecting a longstanding Italian north-south divide in small firm cultural stimuli and creation rates.

A north-south divide in small and medium-sized unit densities is also very apparent in the French case, with the notable exception of the Paris region, and is even more pronounced than for micro-units, no doubt reflecting the influences already discussed.

In contrast to much of southern Europe, the northern countries of Sweden, Finland and the UK record almost universally low, and usually very low, densities of small and medium sized units. The relative dearth of such smaller enterprises is an acknowledged socio-economic phenomenon in these three countries, and cause for policy concern in recent years.

However, a further interesting and noteworthy feature in each case, which is repeated in Belgium, France and Austria, is that the country's capital city and leading metropolitan region (Stockholm, Helsinki, London, Brussels, Paris, Vienna) records a significantly higher small and medium-sized unit density than other regions. This almost certainly reflects the concentration in such cities, and recent rapid growth in numbers, of small and medium-sized enterprises in professional, financial and business services, and consumer, media and entertainment services catering for high-income demand, as noted earlier.

Finally, and despite widespread interest in Germany's *Mittelstand* SME phenomenon, it is noteworthy that relatively few German regions (notably Munich, Koblenz, Hamburg, Darmstadt and Düsseldorf) actually exhibit above-median small and medium-sized unit densities, 70 % of German regions (and notably east German regions) recording small and medium-sized unit densities below the EU median.

The last point is no doubt related to one of the chief features of the third map of large local unit (units with 100 employees or more) densities (p. 108), namely the striking concentration of regions with the highest large unit densities in Germany (18 out of the 38 regions). This represents a key element in a clear European-wide 'centre-periphery' pattern of large unit densities, with high densities throughout the European Union's centre of economic gravity (Germany, Belgium and northern France, with outliers in Austria, south and central Britain, southern Sweden and Helsinki), but low or very low densities in most of Italy, Spain, Portugal, southern France, western and northern Britain, and all of northern Sweden and Finland.

High densities of large units are also found in most of Europe's capital cities and major urban regions, such as London, Île de France, Brussels, Antwerp, Vienna, Helsinki, Düsseldorf, Köln, Hamburg, Munich and Stuttgart, probably for similar reasons.

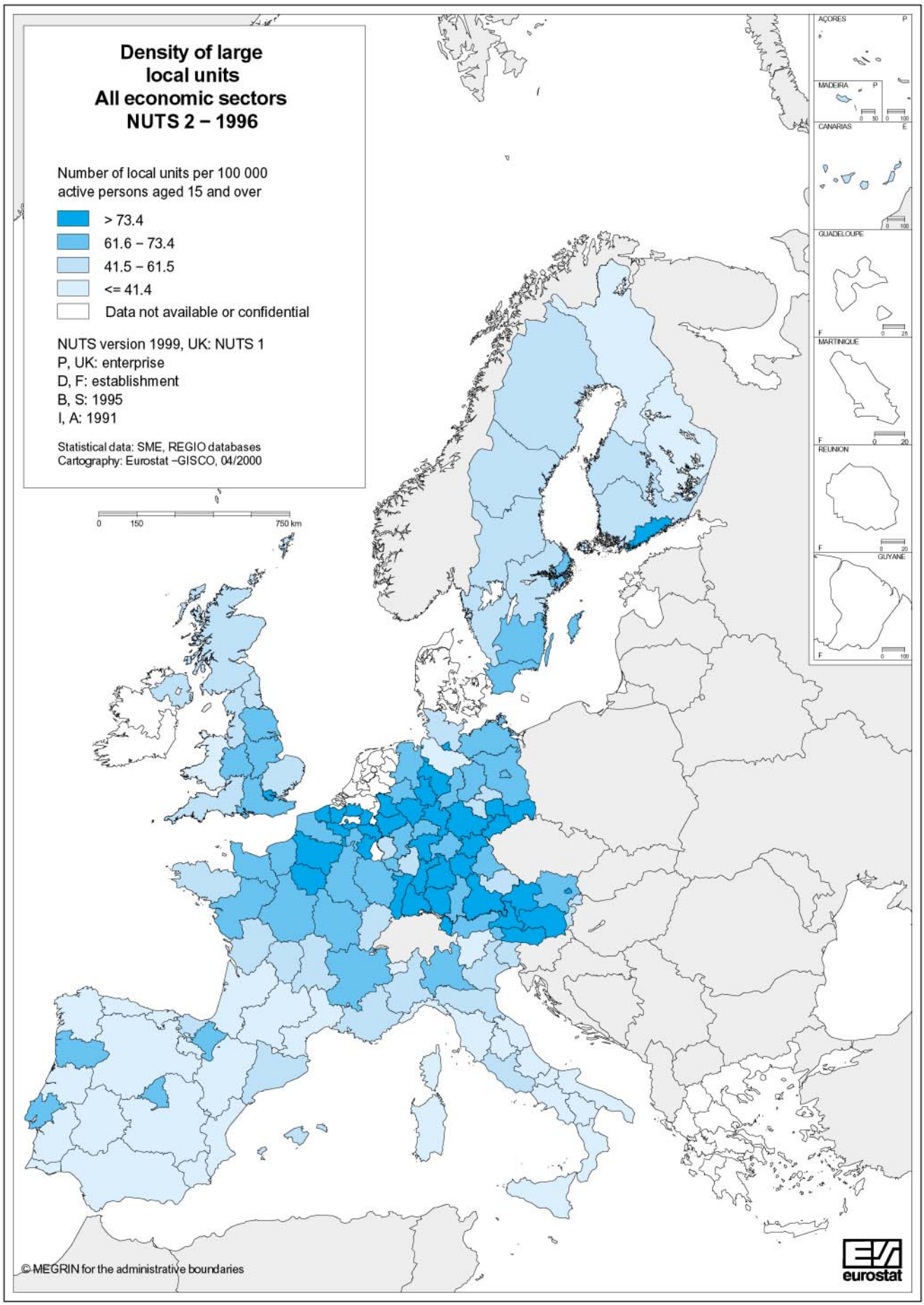
The fourth map (p. 109), of regional gross domestic product (GDP) at market prices relative to the number of local units with at least one employee, represents an attempt to measure the average added value provided by a local unit in each region ([2]).

The results are however strongly influenced by national factors, such as the level of 1996 exchange rates used to convert national currencies into ECUs. This may explain why all the regions of Spain, Portugal, Finland and

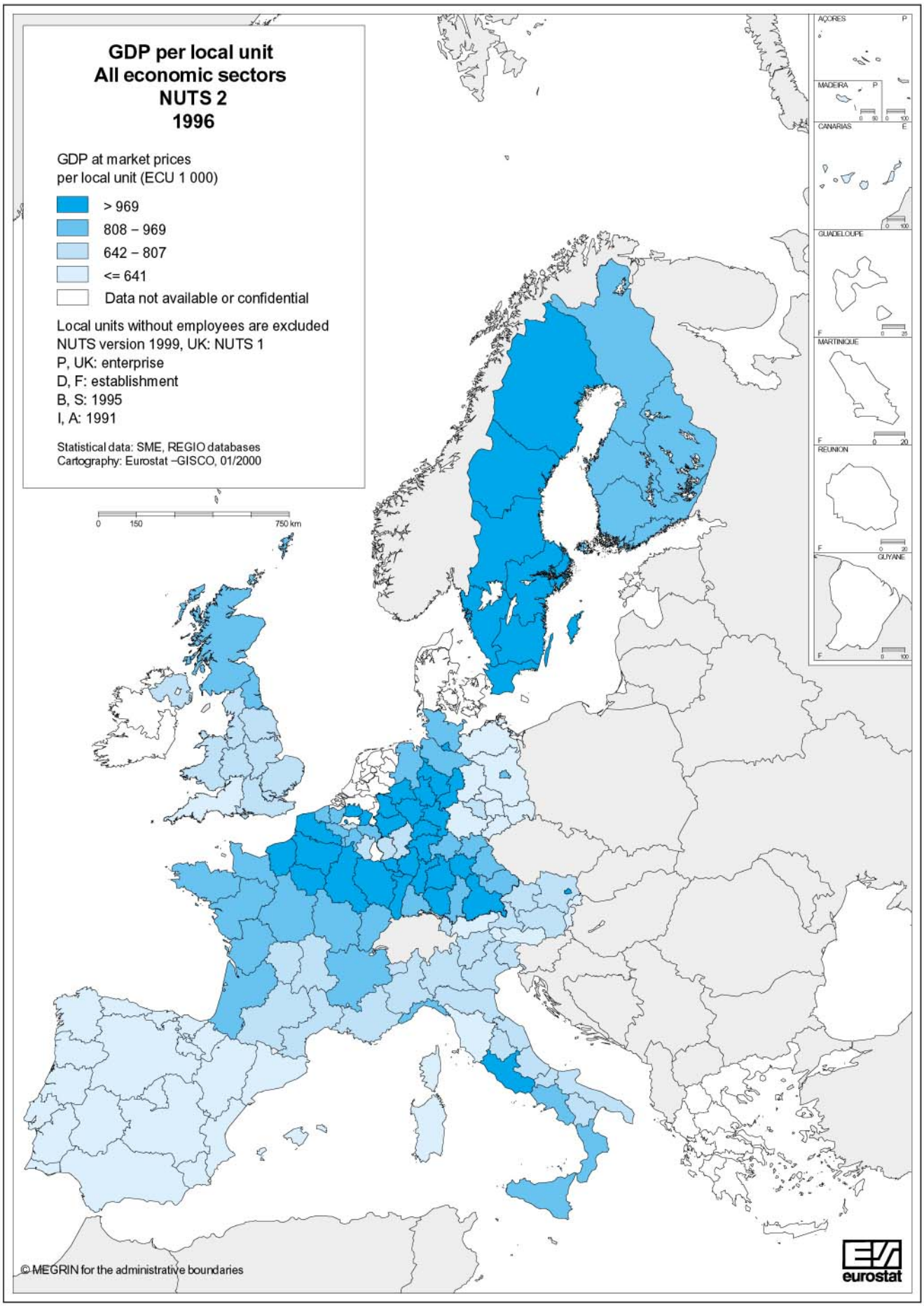
([1]) The Mezzogiorno comprises Abruzzo, Molise, Campania, Puglia, Basilicata, Calabria, Sicilia and Sardegna.

([2]) It should be stressed however that some variations in the calculation of regional GDP may entail some biases in the comparison of the results for the regions of different Member States (see the methodology box at the end of this chapter, pp. 125-126).

4 THE DENSITY OF SMALL AND MEDIUM-SIZED LOCAL UNITS: A key to EU regional development?



The density of small and medium-sized local units



Sweden fall into the same particular GDP per unit class (the lowest class in the first two cases, the above-median and highest classes in the third and fourth, respectively).

That aside, the most interesting feature of the map is the concentration of high GDP per unit ratios in the regions of the EU's economic heartland as defined above (western Germany, Belgium and northern France), reinforcing the suggestion of a link between regional centrality within Europe and the presence of large firms.

A second finding is that the east German regions record very low ratios of GDP per unit, in sharp contrast to their adjacent counterparts in west Germany.

Finally, peripheral regional policy-assisted regions in both the Italian Mezzogiorno and northern Britain have somewhat higher GDP per unit ratios than elsewhere in these countries, probably reflecting the attraction of relatively capital-intensive manufacturing branch plants to these regions by regional policy incentives.

IN WHICH SECTORS AND REGIONS DO SMUS DOMINATE REGIONAL EMPLOYMENT?

Regional variations in the density of local units by size are undoubtedly influenced by sectoral differences in regional economies, given that certain sectors — for example, hotels and catering — tend to be dominated by small units and firms, whereas others — for example, industry and energy — have a higher proportion of large units and firms.

Within these broad sectoral differences, however, there are also differences in unit size in the same sector between different European regions. Such differences are illustrated by the next four sectoral maps [pp. 111-112 and pp. 114-115 ([1])].

These show the share of employment of SMUs (local units with 1 to 99 employees) in a particular sector in total regional employment (excluding employment in units with no employees) in that sector. Low shares thus signify that a relatively high proportion of employment in that sector in that region is in large local units, high shares that a relatively high proportion is in SMUs. No regional sectoral data were available for Spain and the UK. European-wide regional variations in these sectoral indicators are quite considerable, the greatest range being for other services (from 22.8 to 88.1 %), the lowest for hotels and catering (from 54.4 to 100.0 %).

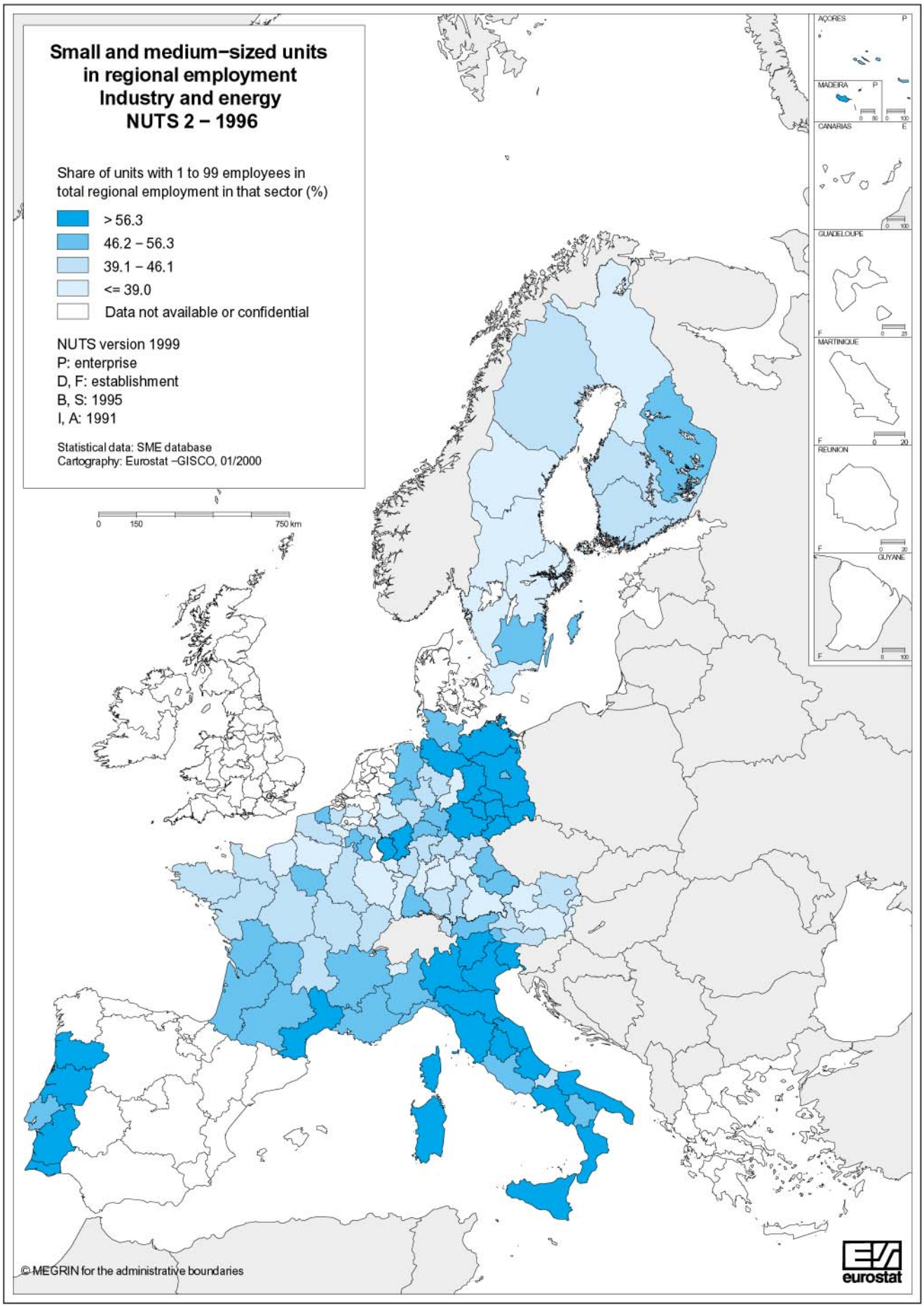
Regional variations in SMU share in the industry and energy sector (see Map, p. 111) range from 23.4 to 83.3 %, the map showing that small and medium-sized units dominate employment in this sector in most Italian and Portuguese regions. The latter are classic small firm-dominated industrial regions, northeast and central Italy in particular containing numerous 'industrial districts' characterised by small firms specialising in particular manufacturing sectors (leather goods, textiles, ceramics, clothing).

Industry in east German regions is also dominated by smaller units, some of which are probably branch units of firms from west Germany. In contrast, large industrial units are much more important than small and medium-sized units in most Swedish regions, northern France, southern Germany, and parts of Austria, reflecting historical specialisations on large-scale heavy industry (France), the headquarters location of particular major European companies (Stuttgart and Munich), and national large firm-dominated industrial systems (Sweden).

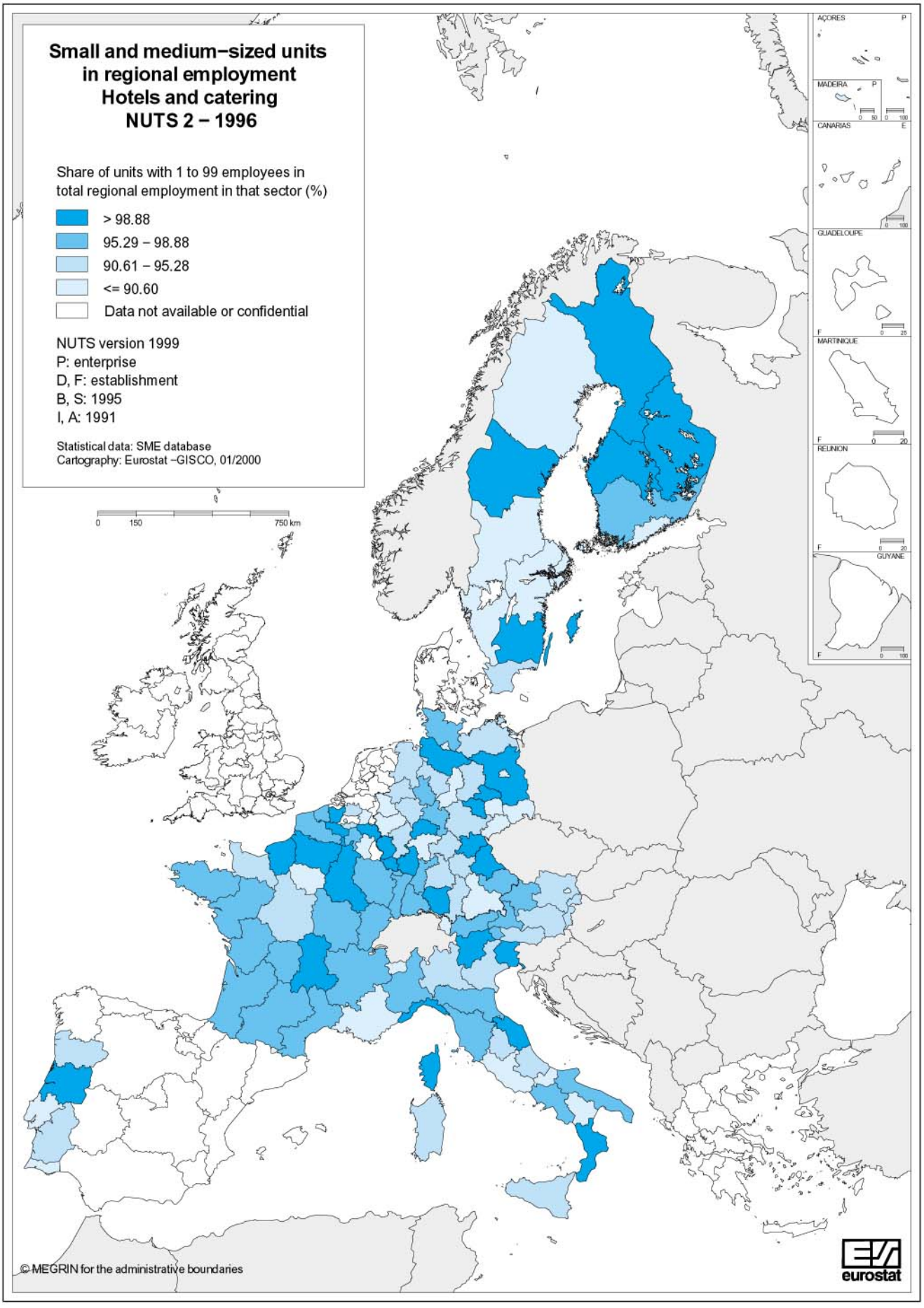
The hotels and catering sector is dominated by small and medium-sized units almost everywhere (see Map, p. 112) the only distinctive feature here being relatively low small and medium-sized unit shares (higher shares of large units) in all Europe's major metropolitan regions and cities (Lisbon, Rome, Paris, Vienna, Brussels, Munich, Düsseldorf, Hamburg, Berlin, Stockholm and Helsinki). These are of course Europe's leading year-round regional markets for larger hotel and catering businesses.

([1]) These sectors have been chosen to illustrate European-wide patterns, and although they include key SME sectors, do not together cover the whole economy.

The density of small and medium-sized local units



4 THE DENSITY OF SMALL AND MEDIUM-SIZED LOCAL UNITS: A key to EU regional development?



An exactly similar feature is evident from the financial intermediation, real estate, renting and business activities map (p. 114), with especially low small and medium-sized unit shares (higher shares of large units) in all the major metropolitan regions listed above except Stockholm. High large unit shares are also concentrated geographically in Europe's economic heartland (Belgian and German regions account for two-thirds of this group). Small and medium-sized units are especially dominant in this sector in a range of less-urbanised regional environments, and in much of Italy, with its strongly small firm-oriented culture and production system.

The map of other services (p. 115), which aggregates transport and communication, health, sewage, organizations, recreational activities and other services, reveals that once again, large local units are especially important if not dominant in all Europe's major metropolitan regions, as listed above (this time including Stockholm but excluding Helsinki). Again, large units are particularly prevalent in a number of European heartland Belgian and German regions, this time including east Germany. In this sector, small and medium-sized units dominate in more peripheral and rural regions, such as Portugal (excluding Lisbon), rural southern France, most of Finland, and rural Sweden, along with northeast Italy (where small and medium-sized units dominate in virtually all sectors).

WHERE ARE EUROPE'S SPECIALISED SMU MANUFACTURING, HIGH-TECHNOLOGY, AND FINANCIAL AND BUSINESS SERVICE REGIONS?

The final set of maps (p. 116 and pp. 118-119) represents an attempt to identify Europe's most specialised SMU regions in each of three key sectoral groups, namely manufacturing, high-technology industry, and financial and business services.

These three sectors are arguably exceptionally important as a basis for future European, national and regional economic growth: and SMEs play a major role in each of them, notwithstanding the significance of Europe's large companies.

Indeed, rapid SME growth often appears to be a diagnostic feature of new, technologically dynamic sectors, such as computer software and services, and management and business consultancies. In the UK, for example, the total number of computer software and service firms, most of which are small firms, increased by no less than 128 % between 1993 and 1998, while numbers of management consultancy and other business service enterprises grew by 45 % over the same period ([1]).

The three maps record variations in the share of total regional employment in SMUs accounted for by SMUs in each of these three particular sectors. Regions with an exceptional share of their SMU employment in a given sector are exceptionally specialised, in SMU terms, on that sector. Many such regions also contain large numbers of SMUs in the sector concerned.

The manufacturing SMU map (p. 116) reveals that Europe's most specialised manufacturing SMU regions, defined in this way, are, not surprisingly, concentrated in Italy, especially northern and Adriatic Italy, where Lombardia, Veneto and Toscana alone contain respectively 76, 39 and 32 thousand manufacturing SMUs. This reflects and highlights the importance of Italy's remarkable small firm-focussed 'industrial district' phenomenon noted earlier.

([1]) NACE sectors 72 and 74 respectively. Data are for firms with at least one employee at end-1993 and start-1998. Over 99 % of firms in each sector have less than 100 employees.
Source: Small and Medium Enterprise Statistics for the United Kingdom, SME Statistics Unit, Department of Trade and Industry, Sheffield, 1993 and 1998.

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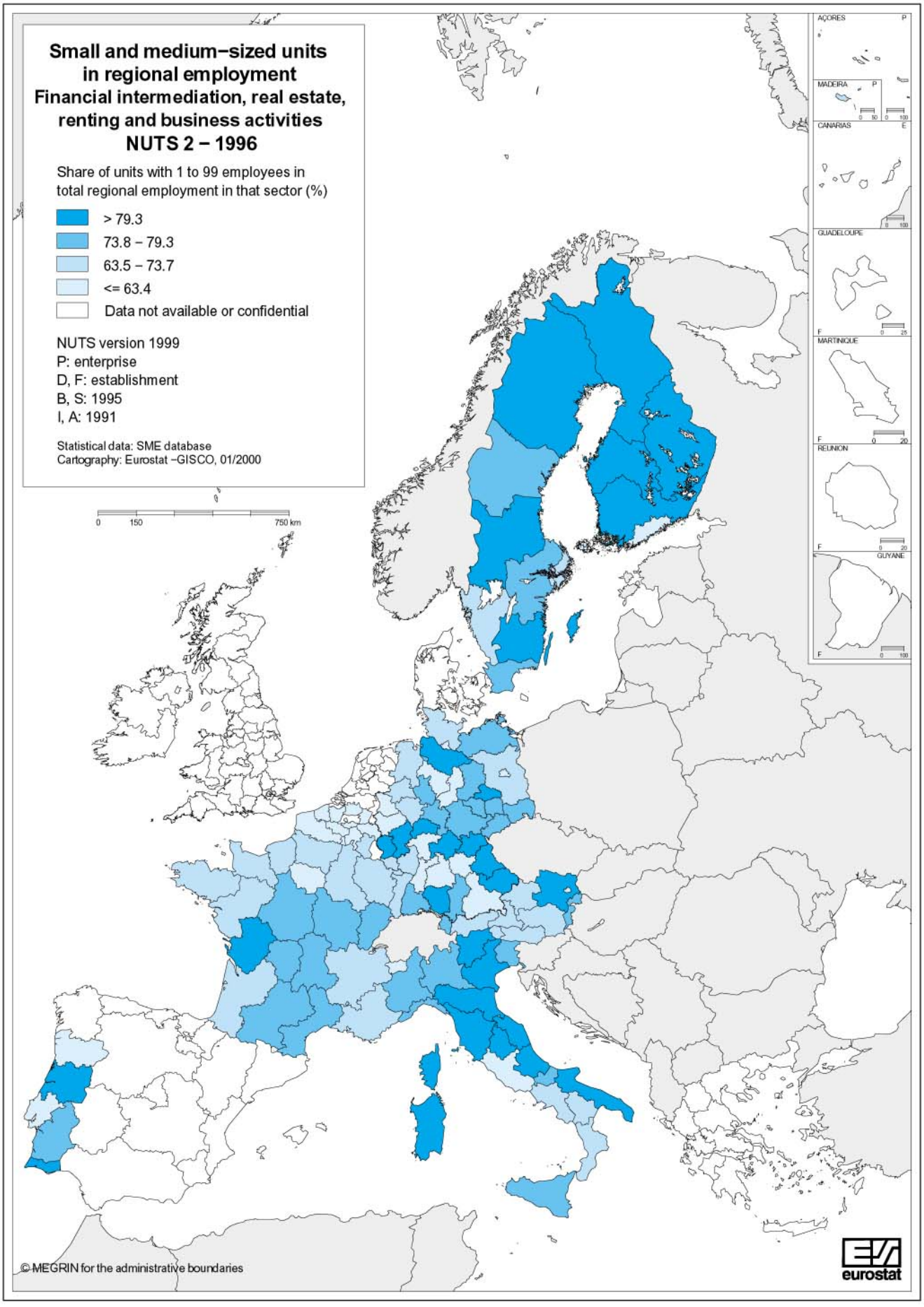
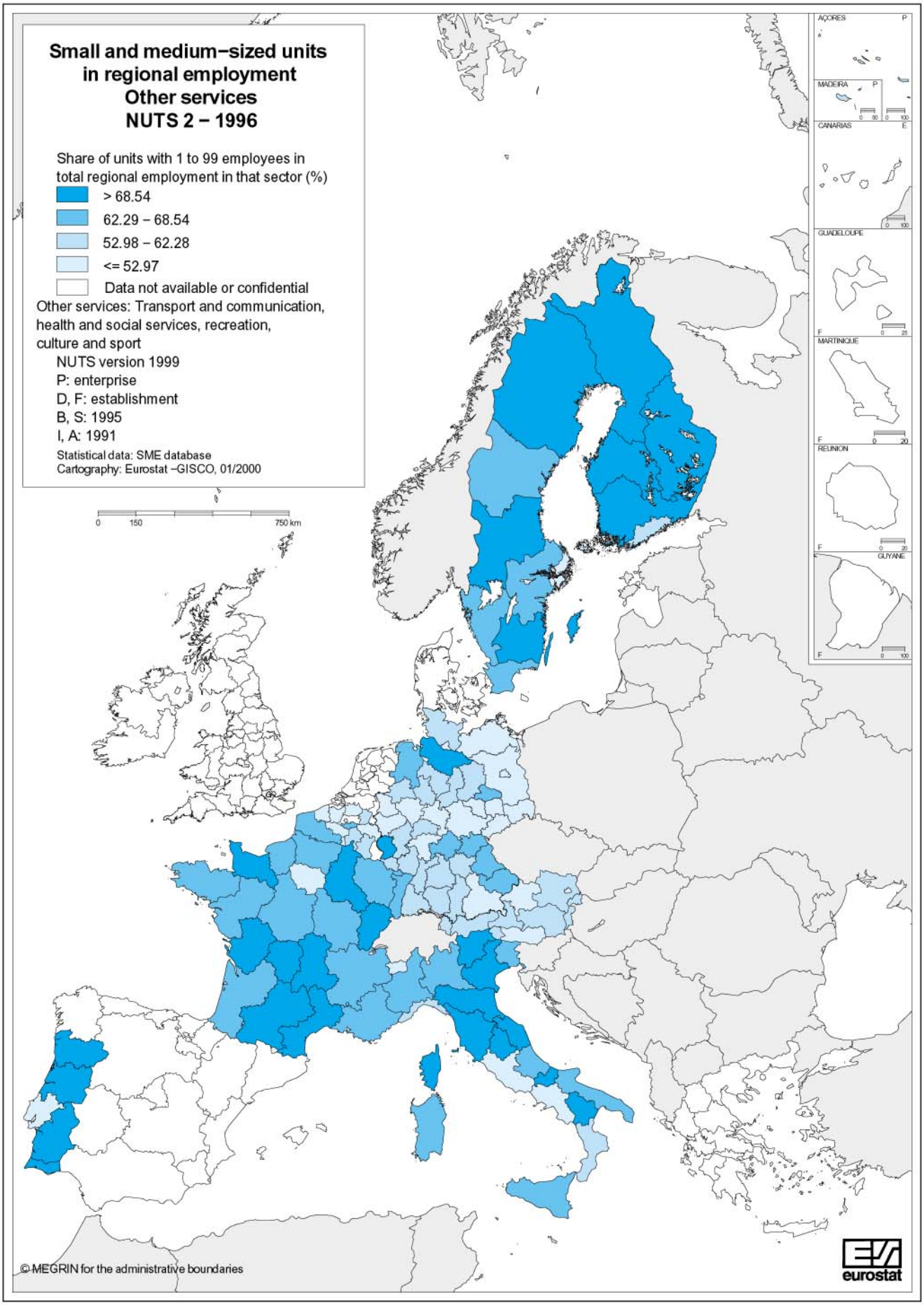
THE DENSITY OF SMALL AND MEDIUM-SIZED LOCAL UNITS: A key to EU regional development?




Small and medium−sized units
in regional employment
Other services
NUTS 2 − 1996
Share of units with 1 to 99 employees in total regional employment in that sector (%)
> 68.54
62.29 − 68.54
52.98 − 62.28
<= 52.97
Data not available or confidential
Other services: Transport and communication, health and social services, recreation, culture and sport
NUTS version 1999
P: enterprise
D, F: establishment
B, S: 1995
I, A: 1991
Statistical data: SME database
Cartography: Eurostat –GISCO, 01/2000
0 150 750 km
AÇORES
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CANARIAS
GUADELOUPE
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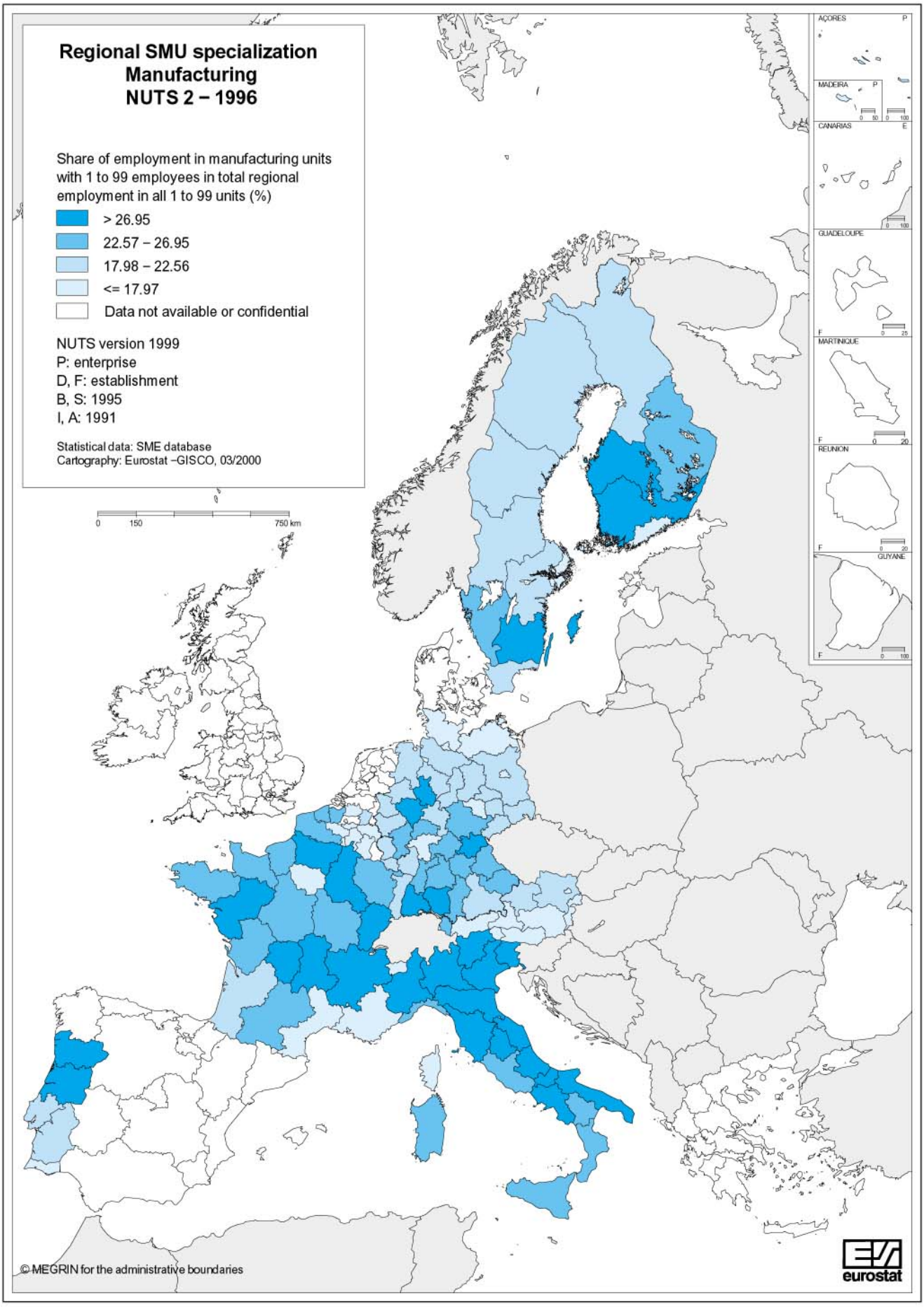
4 THE DENSITY OF SMALL AND MEDIUM-SIZED LOCAL UNITS: A key to EU regional development?



The density of small and medium-sized local units

However, the map also reveals that a number of French regions also specialise on manufacturing small and medium-sized units, notably Rhône-Alpes, which contains 23 thousand such units, and rural regions such as Franche-Comté, Pays de la Loire and Picardie. Rural region specialisation on manufacturing small and medium-sized units is also a feature of Norte and Centro in Portugal, and southern regions of Finland and Sweden. Finally, many German regions also exhibit above-median specialisation on manufacturing small and medium-sized units, notably Freiburg, Tübingen, Oberfranken, Detmold and Arnsberg, again indicating a small town-rural region orientation.

These patterns reflect the growth of small manufacturing firms over recent decades in many smaller towns and rural regions of the European Union, as part of an urban-rural shift of manufacturing activity, although large volumes of manufacturing small and medium-sized units are still inevitably to be found in giant conurbations such as the Île de France, Düsseldorf and Stuttgart regions.

Perhaps even more interesting is the map (p. 118) identifying European regions whose SMUs are relatively specialised on high-technology sectors, including both technology-based manufacturing and service activities. It is unfortunate that no data were available for the UK, given the clustering of high-technology SMEs in such UK regions as Cambridgeshire, Oxfordshire, and the so-called M4 corridor.

But the map shows that in the EU countries analysed, specialised high-technology small and medium-sized unit regions are concentrated in three types of location, namely central and southern Germany, northern Italy, and major metropolitan regions such as Paris, Rome, Milan, Düsseldorf, Frankfurt (Darmstadt), Munich, Berlin, Stockholm and Helsinki. The Île de France region alone contains over 11 thousand technology-based small and medium-sized units, and Lombardia over 10 thousand.

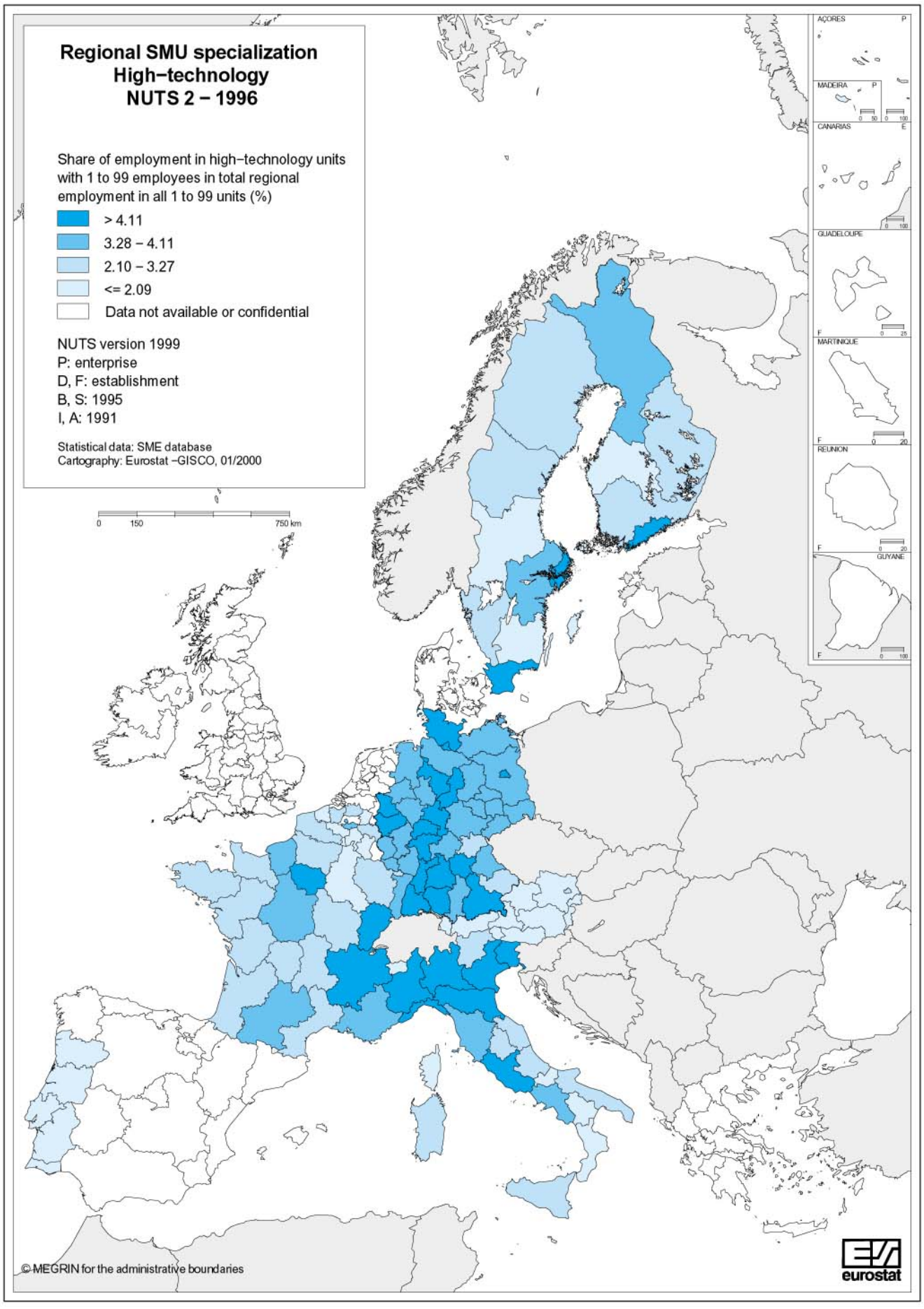
The undoubted existence of smaller clusters of technology-based SMEs in such specific locations as Sophia-Antipolis (Provence-Alpes-Côte d'Azur), Grenoble (Rhône-Alpes), Toulouse (Midi-Pyrénées), Oulu (northern Finland), and Linköping (Östra Mellansverige) is also indicated by above-median specialisation indices for these regions.

In contrast, proportionately few high-technology small and medium-sized units are to be found in the regions of Portugal, southern Italy, Austria, and certain more rural regions of Sweden and Finland.

Lastly, the map of European regions whose SMUs are relatively specialised on financial and business services (p. 119) produces a somewhat unexpected pattern focussed on France, all but four of whose regions fall in the highest-specialisation category.

This aside, the most specialised financial and business service small and medium-sized unit clusters are, not surprisingly, located in Europe's major metropolitan regions, with their agglomerations of specialised small firms in financial services, business consultancy, advertising, market research, accountancy, legal and architectural services, human resources, and a wide range of other business services. The growth of such high-level and professionally-based producer services in cities such as London, Paris, Rome, Milan, Vienna, Brussels, Frankfurt (Darmstadt), Berlin, Hamburg, Stockholm and Helsinki has been a major component of the recent economic evolution of these command centres of Europe's economy. Again, Île de France (56 thousand) and Lombardia (30 thousand) head the list by size of small and medium-sized unit cluster.

Below-median specialisation on small and medium-sized units in this sector in many German (and Portuguese) regions is the natural obverse of the above-median specialisation of these regions on other sectors, such as manufacturing.


Regional SMU specialization
High-technology
NUTS 2 - 1996
Share of employment in high-technology units with 1 to 99 employees in total regional employment in all 1 to 99 units (%)
> 4.11
3.28 - 4.11
2.10 - 3.27
<= 2.09
Data not available or confidential
NUTS version 1999
P: enterprise
D, F: establishment
B, S: 1995
I, A: 1991
Statistical data: SME database
Cartography: Eurostat -GISCO, 01/2000
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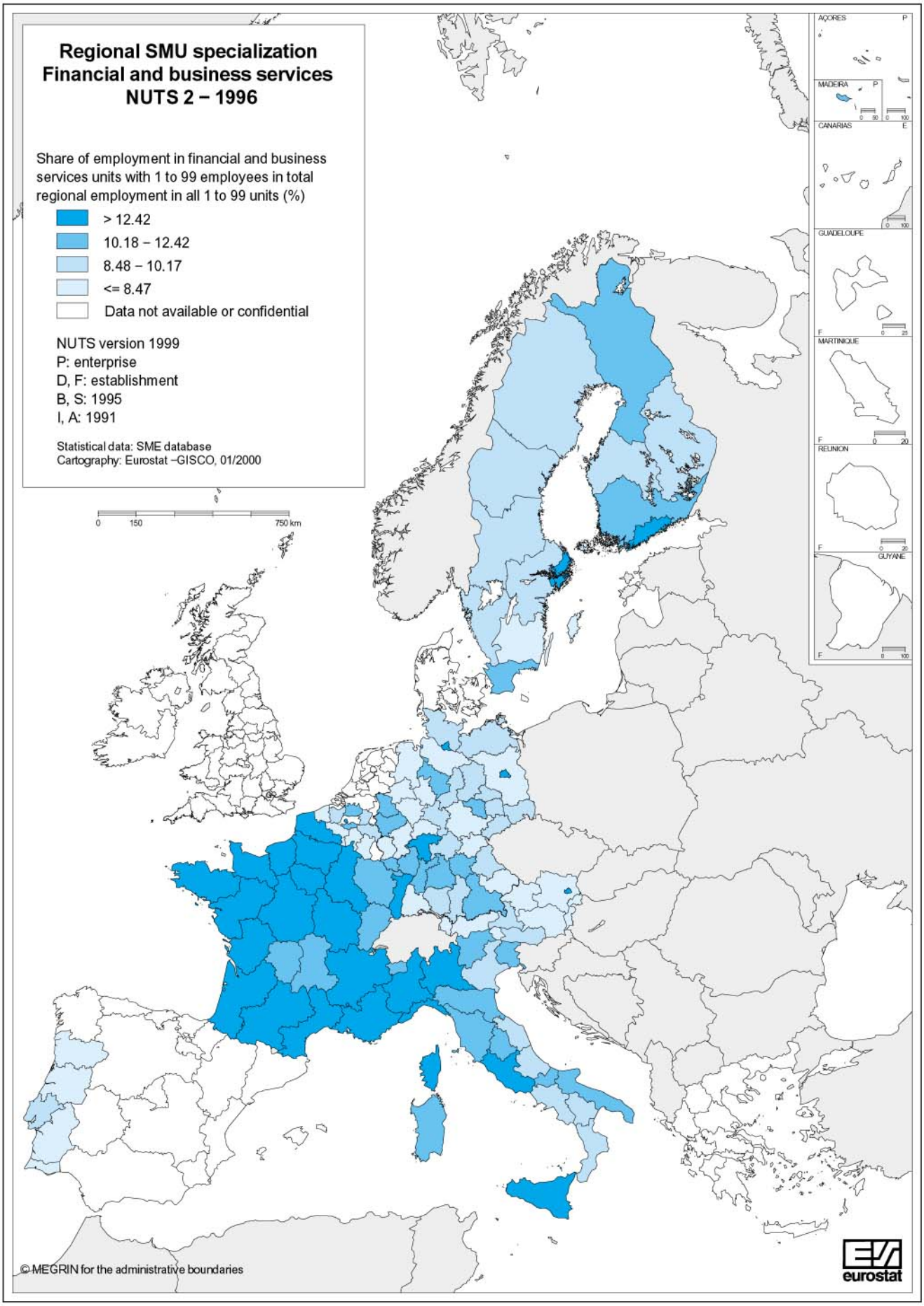
Regional SMU specialization
Financial and business services
NUTS 2 – 1996
Share of employment in financial and business services units with 1 to 99 employees in total regional employment in all 1 to 99 units (%)
> 12.42
10.18 – 12.42
8.48 – 10.17
<= 8.47
Data not available or confidential
NUTS version 1999
P: enterprise
D, F: establishment
B, S: 1995
I, A: 1991
Statistical data: SME database
Cartography: Eurostat –GISCO, 01/2000
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4 THE DENSITY OF SMALL AND MEDIUM-SIZED LOCAL UNITS: A key to EU regional development?

CLASSIFYING EU REGIONS BY URBANISATION AND ECONOMIC GROWTH

The last set of regional analyses attempts to investigate whether different types of European regions appear to be characterised by different business unit structures. Specifically, are there any systematic and logical differences in business unit structures between Europe's most highly-urbanised regions, on the one hand, and its rural areas, on the other? And are there differences in these business unit structures between economically dynamic regions, measured by recent GDP growth, and regions whose economies have been growing only slowly or have even declined? ([1])

For the urban-rural comparison, 1996 population density was used to class individual regions as either highly-urbanised (over 260.0 persons per sq. km.), urbanised (136.0 to 259.9 persons per sq. km.), less urbanised (69.3 to 135.9 persons per sq. km.), or rural (3.4 to 69.2 persons per sq. km.) ([2]).

For the economic growth comparison, annual average regional GDP growth rates 1991-96 (measured in ECUs at constant prices) were used to class regions as either fast-growth (+ 1.65 % or more), medium-growth (+ 0.96 to + 1.64 %), slow-growth (+ 0.41 to + 0.95 %), or static/declining (– 1.07 to + 0.40 %).

The use of this most recent period does however result in analytical problems, in that differences in the timing of national business cycles and impact of the severe 1990s recession have had a significant effect on growth rates recorded by regions in different European countries.

In particular, it is noteworthy that over half of the static/declining regional group are German regions, including such major and traditionally dynamic regional economies as Stuttgart, Düsseldorf and Köln, in the same group as the southern Italian regions. Equally, the unique impact of German re-unification is evident in the inclusion of all eight east German regions at the head of the fast-growth group. These apparent anomalies do affect the results presented here.

In both cases, results are presented in terms of medians, rather than means, since the median is a more robust and valid measure of central tendency with small samples.

Europe's urban regions generate small units, rural regions specialise on manufacturing small and medium-sized units

The first of the three urban-rural graphs (Figure 1) plots median values of business unit densities (relative to the region's workforce) for the four urban-rural regional groups defined above.

For total business units with at least one employee and for small and medium-sized units (units with 1 to 99 employees), European-wide median differences are very small. But there is nevertheless a very slight urban-rural gradient (highly-urbanised regions have the highest median density, rural regions the lowest) both for total units and for small and medium-sized units.

Europe's most urbanised regions are thus characterised by slightly higher densities of small and medium-sized units than rural regions. And this urban-rural difference is even more pronounced and clearcut for business units with no employees, with much higher densities of such micro units in Europe's giant cities and urbanised regions than in less urbanised and rural areas ([3]).

These differences are likely to reflect both demand and supply side influences on, and sectoral differences in, small firm formation in these different urban and rural environments.

Small firm creation is encouraged in big cities and urbanised regions by higher incomes and greater local demand, by greater concentrations of skilled, professional and managerial workers as potential entrepreneurs, and by sectoral structures biased towards rapidly growing service sectors providing numerous new opportunities for small firms and sole proprietorships (specialised business and professional services, media and entertainment services).

([1]) The regions of Spain, the Netherlands and the UK are excluded because of the absence of sectoral data.

([2]) Madeira was included in the less-urbanised group notwithstanding a higher population density.

([3]) It must be noted however that the German and Belgian regions are excluded from the data set used for estimating median zero employee unit densities, but are included in the total unit (with 1 or more employees), 1 to 99 employee unit, and 100+ employee unit data sets and graphs. The zero employee unit graph is thus calculated from a different and smaller (72 regions) sample compared with these other graphs.

The density of small and medium-sized local units

Despite a tradition of local entrepreneurship in many rural regions of Europe, these stimuli to small firm formation are almost certainly less pronounced in rural areas.

The second graph plots two variables, regional median densities of large units with 100 employees or more relative to regional workforce, and the GDP per business unit measure discussed earlier.

Both variables reveal a clear urban-rural gradient in the same direction, highly-urbanised regions recording both the highest large unit densities and GDP per unit, rural regions recording the lowest large unit densities as well as low GDP per unit (though in this case slightly higher than that for less-urbanised regions) ([1]).

It is important to stress that the GDP per unit pattern may partly reflect a statistical distortion produced by over-inflation of GDP estimates in highly-urbanised capital city regions (see methodology box at the end of this chapter, pp. 125-126). But its similarity to that of urban-rural variations in large unit density is nonetheless logical, both patterns simply indicating that rural regions are characterised by relatively smaller business units, urbanised regions by relatively larger business units.

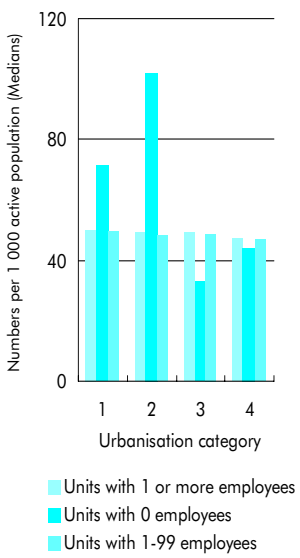
The third graph plots urban-rural variations in regional small and medium-sized unit specialisation in terms of employment in manufacturing, high-technology industry, and financial and business services.

([1]) This may possibly reflect the presence in some of Europe's rural regions of extractive and resource-based manufacturing industries.

Variations in business unit structure between urban and rural regions
NUTS 2 — 1996

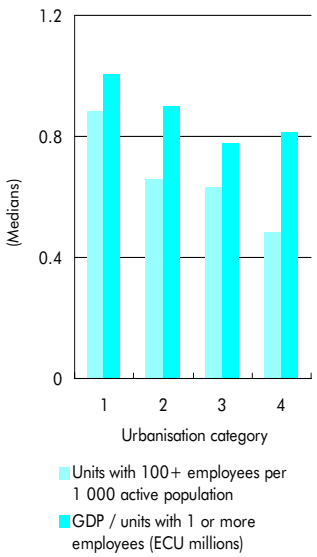
Fig. 1

Number of units in proportion to active population aged 15 and over



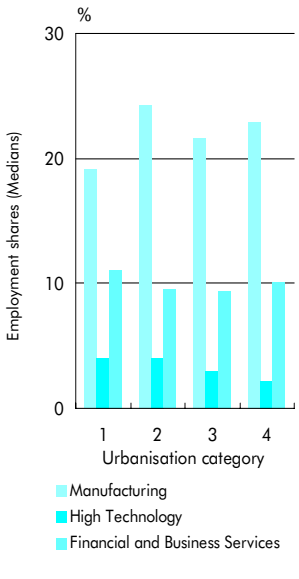
Source: Eurostat.

Number of large units in proportion to active population aged 15 and over and GDP per unit



Source: Eurostat.

Sectoral share of small and medium-sized units in total regional small and medium-sized unit employment



Source: Eurostat.

NB: Data are not available for Denmark, Greece, Ireland, Luxembourg, Spain, the Netherlands and the United Kingdom.

Urbanisation category codes:
- 1: highly urbanised regions;
- 2: urbanised regions;
- 3: less urbanised regions;
- 4: rural regions.

(See definitions in the text)

4 THE DENSITY OF SMALL AND MEDIUM-SIZED LOCAL UNITS: A key to EU regional development?

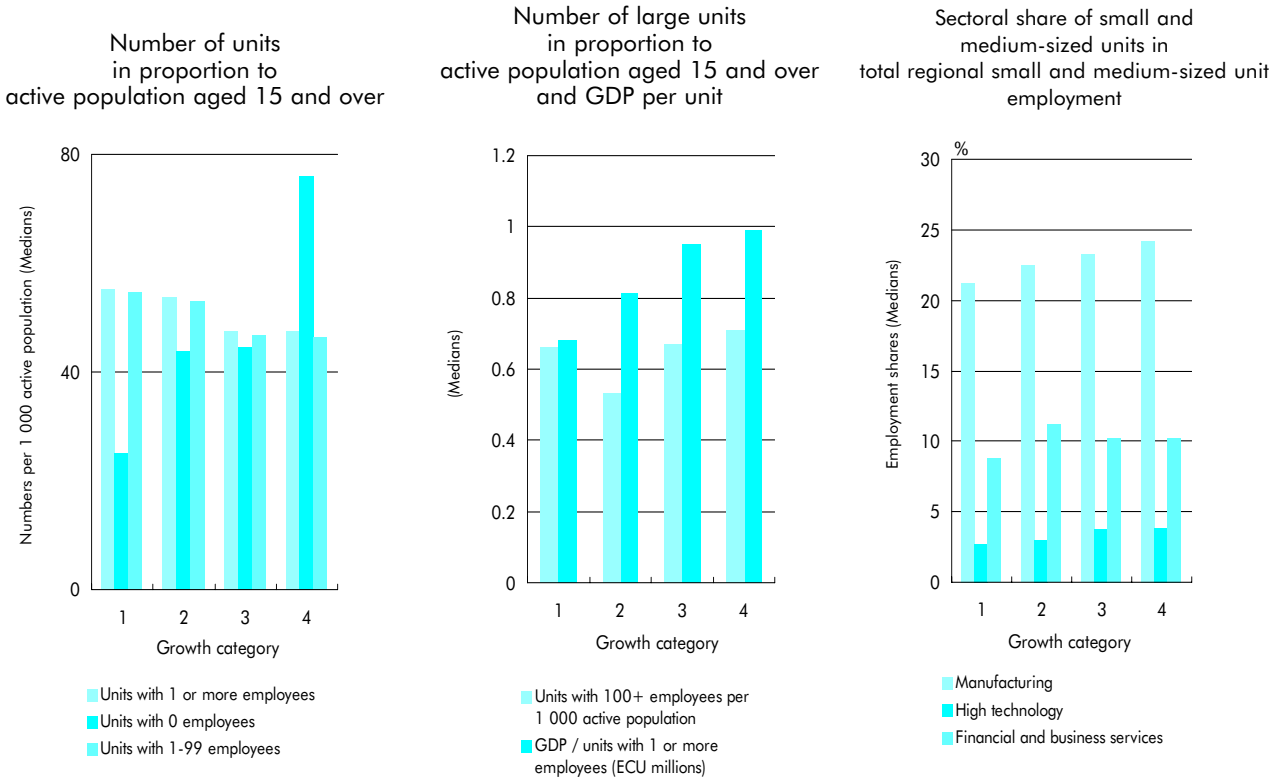
For manufacturing, an urban-rural gradient from lower to higher specialisation on manufacturing small and medium-sized units as a proportion of all small and medium-sized units in the region is interrupted by particularly high manufacturing small and medium-sized unit specialisation in the second, 'urbanised region', category. However, this reflects the fact that the urbanised region category includes nine Italian regions, which exhibit exceptional SMU manufacturing specialisation. If these are excluded, a consistent urban-rural gradient is evident, from lowest specialisation on manufacturing small and medium-sized units in Europe's highly-urbanised regions, to highest specialisation in its most rural regions. This suggests that the urban-rural shift of small firm manufacturing activity identified in such countries as the United Kingdom may perhaps be a more general trend in the EU as a whole ([1]).

Regional small and medium-sized unit specialisation on high-technology activities however declines with increasing rurality, technology-based SMEs clearly preferring urbanised to remoter rural regional environments, probably for reasons of access to customers, finance, highly-qualified staff and knowledge institutions.

Finally, regional financial and business service small and medium-sized unit specialisation is, not surprisingly, greatest in Europe's most highly-urbanised regions

([1]) See for example Keeble, D., Tyler, P., Broom, G. and Lewis, J. (1992) *Business Success in the Countryside: The Performance of Rural Enterprise*, HMSO for the Department of the Environment, London; and Keeble, D., Owens, P.L. and Thompson, C. (1983) *The urban-rural manufacturing shift in the European Community*, Urban Studies, 20, 405-418.

Fig. 2 *Variations in business unit structure between fast-growth and slow-growth regions NUTS 2 — 1996*



NB: Data are not available for Denmark, Greece, Ireland, Luxembourg, Spain, the Netherlands and the United Kingdom.

Growth category codes:
- 1: fast-growth regions;
- 2: medium-growth regions;
- 3: slow-growth regions;
- 4: static/declining regions.

(See definitions in the text)

with their huge demand for these services. But rural regions record the second highest level, possibly as with manufacturing because of some degree of urban-rural shift of small business service entrepreneurs and firms, especially in northern Europe.

Fast growing regions are associated with small and medium-sized units, declining regions with micro and large units

The second set of graphs (Figure 2) relate to differences in business unit structures between groups of regions differentiated by fast or slow recent GDP growth rates. The first of these reveals a clear gradient in densities of small and medium-sized units, and total business units with at least one employee, from the most rapidly-growing to the static/declining regional groups.

The faster a group of regions has been growing during the 1990s, the higher its median density of small and medium-sized and of total business units with at least one employee relative to the regional workforce, whereas the static/declining region group has the lowest median densities of small and medium-sized and of total business units with at least one employee. This illustrates a certain degree of association between faster recent regional economic growth and the possession of regional business structures characterised by small and medium-sized units and enterprises.

At the same time, however, the zero employee unit analysis suggests that there is a marked inverse relationship between the density of micro-units and regional economic growth, with a much higher density of zero employee units in the static/declining region group, and a very low density of such units in the fast-growth group.

While this may be a product of small sample size, it is tempting to speculate that these differences might to some extent be an outcome of differential regional economic performance, with workers in slow growth or declining regions being involuntarily forced into self-employment as an alternative to unemployment, whereas workers in growing regional economies can find employment in existing firms, and especially SMEs, more easily.

The patterns revealed in the second graph are equally interesting. First, GDP per unit shows a striking negative association with regional economic growth. Europe's fastest-growing regions in the 1990s record the lowest ratios of GDP per unit, while its slowest-growing — or even declining — regions record the highest one.

And secondly, this pattern appears to be associated, at least to some degree, with the presence of large units, with slow-growing and static/declining regions having the highest densities of large units. It is at least possible that this indicates a relationship between poor regional economic performance and the historic presence of large firms, especially manufacturing firms (high value-added), which have been undergoing restructuring and down-sizing because of recession and intensified global competition during the 1990s.

The third graph also reveals some clear patterns, this time of negative relationships between regional economic growth on the one hand, and regional small and medium-sized unit specialisation on both manufacturing and high-technology industry on the other. The latter may well be a product of the former, to the extent that the high-technology sectors selected are probably dominated in many regions (for example, in Italy and Germany) by high-technology manufacturing rather than high-technology services.

The regional manufacturing small and medium-sized unit specialisation relationship identified appears to indicate that the more a region's small and medium-sized units are specialised on manufacturing, the poorer the region's recent economic growth performance.

4

THE DENSITY OF SMALL AND MEDIUM-SIZED LOCAL UNITS: A key to EU regional development?

CONCLUSION

The regional distribution of business units of different sizes in the countries of the European Union is very uneven, with considerable regional disparities in density and sectoral composition.

These regional differences reflect a number of historic and contemporary influences, including urbanisation levels and the presence of major cities, proximity to markets and customers, regional labour market characteristics, the availability of telecommunication and transport infrastructures, and socio-cultural factors. The last of these are particularly important in many regions of southern Europe, sometimes associated with a history of agricultural entrepreneurship. This helps explain the relatively high density of small and medium-sized units in the regions of Italy, Spain and Portugal.

From a policy perspective, the finding of an association between economically-fast growing regions and small and medium-sized business unit structures is perhaps noteworthy, as is that of an association between small and medium-sized unit specialisation on manufacturing and relatively slower regional growth.

The north-south divides identified in micro-unit and small and medium-sized unit densities in such EU countries as the UK, Italy and France are also of policy concern. The strong association between high small and medium-sized unit densities, especially in financial and business services and high-technology industry, and Europe's capital cities and major metropolitan regions may help explain the latter's continuing economic prosperity and dominance of new knowledge-based sectors.

Finally, while there is a clear European-wide 'centre-periphery' regional pattern of large unit densities focussed on the 'core' area of Germany, Belgium and north France, in the 1990s there has been some association between higher large unit (and micro-unit) densities and slower regional economic growth.

METHODOLOGY

Sources

The data used in this chapter are from the 'regional data' domain of the SME database.

Statistical unit

As a rule, the reference unit is the local unit, the great majority of which are local single site firms.

The local unit is an enterprise or part thereof (e.g. a workshop, factory, warehouse, office, mine or depot) situtated in a geographically identified place. At or from this place economic activity is carried out for which — save for certain exceptions — one or more persons work (even if only part-time) for one and the same enterprise. (OJ L 76, 30.3.93, p. 8).

Data for Portugal and the United Kingdom are for enterprises, not local units. This results, in particular, in overestimation of numbers of units in the Lisbon region, with underestimation in other Portuguese regions. Data for Germany and France are for establishments.

Country and regional coverage

No regional or national data which covered the whole economy were available from the database for Denmark, Greece, Ireland, Luxembourg, the Netherlands or the United Kingdom. These countries therefore had to be excluded from the analyses, with the exception of the local unit density and GDP per unit analyses (the first four maps, pp. 105-106 and pp. 108-109), for which UK government office regional data were obtained direct from UK official sources (i.e. Department of Trade and Industry SME Statistics Unit, *Small and Medium Enterprise (SME) Statistics for the United Kingdom, 1997*; Office for National Statistics, *Regional Trends 33*, 1998 Edition.). In addition, no sectoral data were available for Spain.

With the exception of the UK, regional coverage is at the NUTS 2 level (NUTS 1 level for the UK, with the new NUTS 1 level UK government office region of the North West being subdivided into two, Merseyside and the North West excluding Merseyside).

Sectoral coverage

The 'regional data' domain of the SME database contains information on the non-agricultural market activities. These are classified according to NACE Rev. 1 nomenclature.

Subsequent specific NACE Rev. 1 sectoral groupings used are as follows:

- industry and energy (which includes mining, NACE 10-14; manufacturing, NACE 15-37; and energy, NACE 40-41);
- hotels and catering (NACE 55);
- financial intermediation, real estate, renting and business activities (NACE 65-67, 70-74);
- other services (which includes transport and telecommunication services, NACE 60-64; health and social work, NACE 85; sewage and refuse disposal, NACE 90; activities of membership organizations n.e.c., recreational activities and other services, NACE 91-93).

This grouping differs from the aggregate 'other services' category defined for national data and used in the rest of this report (see Chapter 'Methodological summary', p. 192).

Sectoral coverage (cont.)

Three other more specific groupings used are:

- manufacturing (NACE 15-36);
- high technology industry (NACE 24, 30, 32, 33, 72, 73);
- financial and business services (NACE 65-67, 74).

The local unit data used in the first four maps (pp. 105-106 and pp. 108-109) and the equivalent sections of the two figures are for the total economy, covering all sectors except agriculture, forestry, fishing, public administration and non-market services.

It should be noted that for France, no establishment data are available for 9 out of the 55 relevant NACE two-digit sectors. While most of these undoubtedly contain only small numbers of units (water transport, research and development services, membership organisations n.e.c.), a few, notably insurance (NACE Rev. 1 66) and auxiliary financial services (NACE Rev. 1 67), are likely to be more important. The data for France thus understate slightly the total population of units compared with other countries. This should be born in mind in interpreting the maps.

Years

The data are for 1996 with the exception of Austria (1991), Belgium (1995), Italy (1991) and Sweden (1995).

Size classes

For reasons of comparability and consistency, local units were grouped into three size classes for analysis, namely:

- units with no employees;
- units with 1 to 99 employees (small and medium-sized local units);
- units with 100 or more employees (large local units).

No data on numbers of units with no employees was available for Germany or Belgium. Given the vast number of such units, they are therefore excluded from most analyses to ensure comparability between these and other countries.

Variables definitions

The data on employment are, in general, for number of persons employed, except for Belgium, Germany, France and Sweden, where they are for the number of employees. For the definition of these variables, see the general methodology.

Other sources

Data on regional GDP and economically active population (aged 15 years and over) in 1996 were obtained from Eurostat's REGIO database and used, as in the Fifth Report on *Enterprises in Europe*, to construct regional unit density and GDP indicators. It must however be stressed, as in the Fifth Report, that in some countries regional GDP is calculated by ascribing the total output of each enterprise to that region in which it is headquartered, even though some of its local units may be located elsewhere. This results in an overestimation of GDP and value-added in some capital city regions. This important qualification must be borne in mind in interpreting subsequent results.

Results methodology

All the maps and figures of this chapter are based on the quartiles of the observed distribution. The quartile is defined as each of the three values which divide a distribution of values ranked by size in four parts with the same number of observations. The second quartile is the median and divides the distribution in two parts with the same number of observations.

The results are dependant on confidentiality and missing values. Because of a different treatment of confidentiality, the results presented in maps, pp. 109/111/112, are not directly comparable with those of the Fifth Report.

The innovative role of SMEs is high on the EU policy making agenda. Their role as the seedbed for new ideas in both the goods and service sectors is widely acknowledged. It is however also recognized that they may face important constraints in achieving their innovative potential, may be able to spend less on the pursuit of innovation than larger enterprises, and may rely on different sources of information than larger enterprises in accessing new ideas for their innovation activities. An assessment of the relative success of SMEs in innovation must also take account of any differences in innovation objectives between them and larger enterprises. Each of these issues is addressed in this chapter.

This analysis relies primarily on the results of the second Community Innovation Survey (CIS2), launched in the EEA Member States in 1997/98, following on from a first survey carried out in 1992. Twelve European States took part in the survey (i.e. all EU Member States except Denmark, Greece, Italy and Portugal, plus Norway). The target population covered all enterprises in manufacturing with 20 or more employees and all service enterprises with 10 or more employees. It thus excludes the very smallest enterprises but it does allow an analysis of three size bands in the remainder of the population. These size bands are small (10 to 49 employees) ([1]), medium (50 to 249 employees) and large (250 or more employees) ([2]).

In brief ...

- SMEs are innovative. Around 50 % made a process or product innovation in 1996.
- SMEs are less innovative than large enterprises of which over 70 % reported an innovation. Innovation by large enterprises is also much more frequently original in the sense of being new to the market as well as to the firm.
- There are substantial variations in the extent to which SMEs reported innovative activity across European countries.
- The small and medium-sized categories spend about the same amount on innovative activity as a percentage of turnover but the medium-sized enterprises are more innovative.
- Small enterprises in manufacturing are much more likely to rate labour saving objectives as important objectives of innovation than either medium-sized or large enterprises.
- SMEs rely more on information external to the firm in developing their innovative activity.
- SMEs that are innovative are less likely than large innovative enterprises to report serious delays or constraints on their innovation projects.
- Innovative SMEs experiencing constraints are more like than large innovative enterprises to cite high innovation costs, difficulties of access to finance and compliance with regulation as factors holding back innovation projects.

([1]) In the case of manufacturing the small size band is 20 to 49 employees.

([2]) See the methodological box at the end of this chapter for further details, pp. 142-143.

HOW INNOVATIVE ARE EUROPEAN SMES?

SMEs are innovative. Figure 1 shows that in the twelve European states in the CIS2 taken as a whole, 44 % of small manufacturing enterprises and 59 % of medium-sized manufacturing enterprises reported having introduced at least one product or process innovation in the survey period ([1]). This is based on the wider measure of innovations new to the firm. The proportions for the service sector were somewhat lower at 37 and 49 % respectively. In both sectors, however, the large enterprises were substantially more likely to have innovated than either the medium-sized or small enterprises.

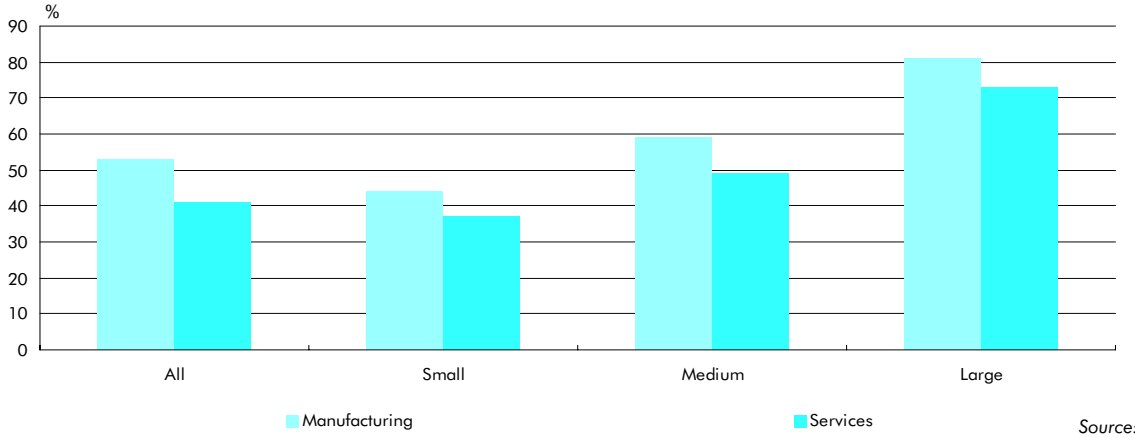
The proportion of enterprises which have introduced either a product or process innovation is shown disaggregated by country in Figure 2 for manufacturing and in Figure 3 for services. In these figures the countries are listed from left to right in order of increasing innovation activity by the smallest size class in the respective sectors. These figures reveal substantial cross country variations in innovation activity. In manufacturing for instance small enterprises in Austria, Germany and Ireland are shown as three times as innovative as those in Luxembourg, Spain, and Belgium. However the picture of higher innovation intensity amongst medium enterprises and the higher level still among larger enterprises in manufacturing is consistent across countries. The picture in Figure 3 for services is more complex. The variation in innovation intensity in small enterprises across countries is again significant — varying from 11 % in Belgium to 60 % in Ireland. However in some countries the gap in innovation intensity between small enterprises and the rest is less clear cut. Thus in the UK and Ireland the small enterprises are if anything more innovative than medium-sized enterprises, whilst in Sweden the medium-sized enterprises outperform the larger enterprises. It is also interesting to note that in some countries (Germany, France, Ireland and Luxembourg) innovation activity is at similar levels in manufacturing and services particularly amongst larger enterprises.

INNOVATION EXPENDITURES: WHO SPENDS THE MOST?

Figure 4 shows that for manufacturing as a whole innovation expenditures were running at around 3.8 % of turnover on average. This was higher than in the case of services where the figure reveals that 2.7 % of turnover was spent taking all the countries together (i.e. all 12 countries except Luxembourg in both cases). In both sectors the largest enterprises were the relatively highest spenders in proportionate terms. In services the smallest enterprises outstripped the expenditure intensity of medium-sized enterprises and in manufacturing they matched them. Given the superior innovative performance of medium-sized enterprises this suggests a more effective use of expenditures in the medium-sized category. This may reflect scale efficiency effects since a given R&D expenditure intensity produces much larger absolute R&D expenditures in the medium-sized and larger enterprises than in the small ones.

([1]) These figures correspond to median values across countries. The median is defined as the value which occupies the central position in a series of values ranked by size.

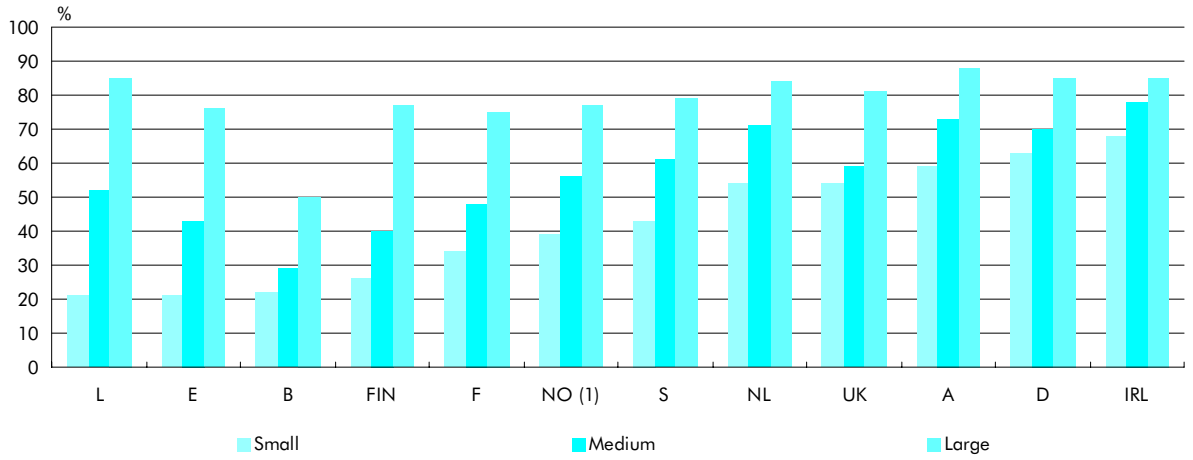
Fig. 1 *Innovating enterprises in manufacturing and services (as a % of the number of enterprises) — Median values across countries — 1996*



Source: Eurostat.

Innovative activity in manufacturing (innovating enterprises as a % of the number of enterprises) — 1996

Fig. 2

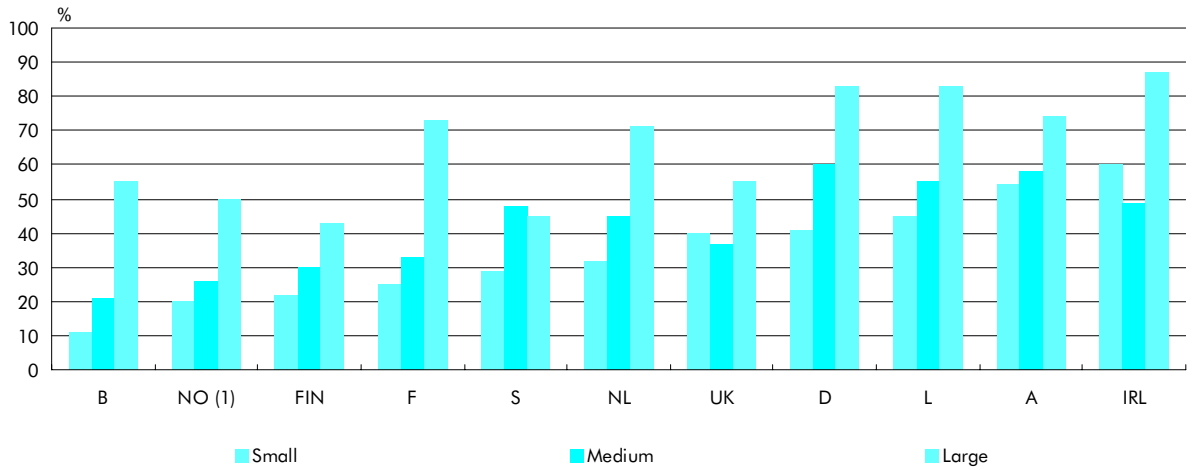


(1) Reference year is 1997.

Source: Eurostat.

Innovative activity in services (innovating enterprises as a % of the number of enterprises) — 1996

Fig. 3

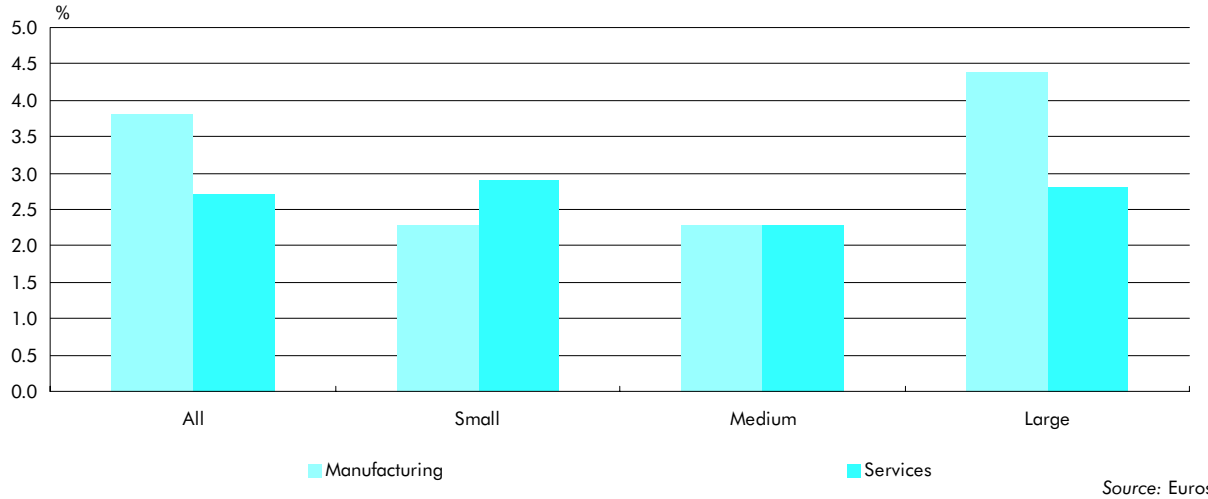


(1) Reference year is 1997.

Source: Eurostat.

Innovation expenditure by size class (as a % of turnover) — Median values across countries — 1996

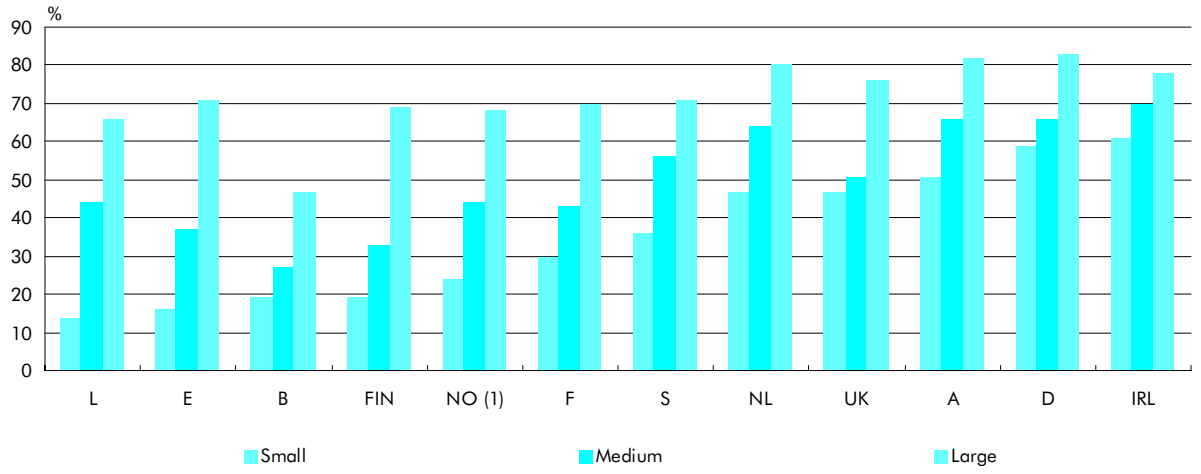
Fig. 4



Source: Eurostat.

Fig. 5

Product innovation in manufacturing
(product innovators as a % of the number of enterprises) — 1996

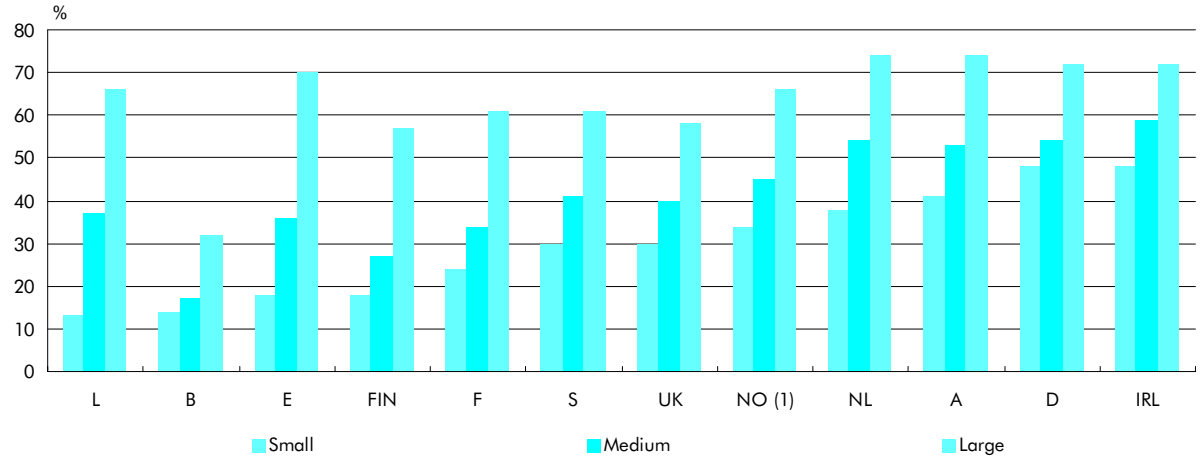


(1) Reference year is 1997.

Source: Eurostat.

Fig. 6

Process innovation in manufacturing
(process innovators as a % of the number of enterprises) — 1996

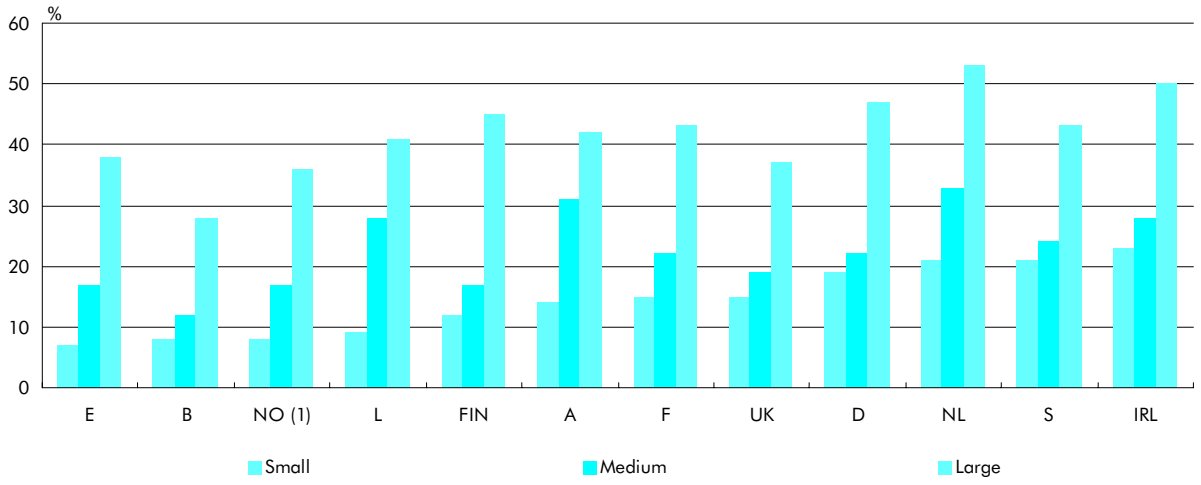


(1) Reference year is 1997.

Source: Eurostat.

Fig. 7

Original product innovation in manufacturing
(innovators with products also new to the market as a % of the number of enterprises) — 1996



(1) Reference year is 1997.

Source: Eurostat.

PRODUCT AND PROCESS INNOVATION: WHO IS MOST ORIGINAL?

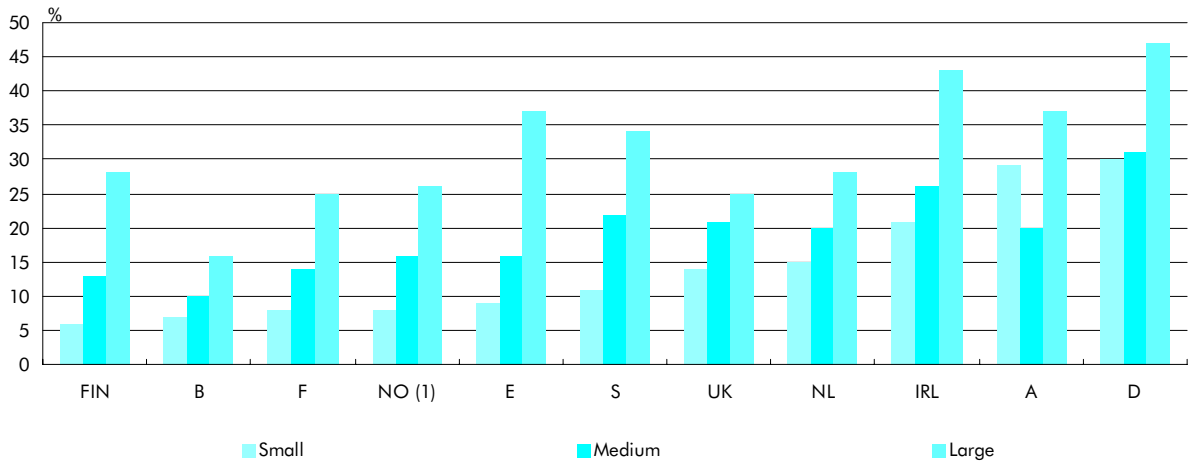
Innovation in manufacturing enterprises can be split between product and process innovation and this is done in Figures 5 and 6. Whilst both forms of innovation are commonplace, frequently within the same enterprise, product innovation is more prevalent. The increase in the proportion of innovators from small to larger enterprises is evident for both forms of innovation. The figures also reveal substantial variations in product and process innovation across countries in the small size enterprises, especially in the former.

The enterprises were also asked about whether their product innovation was original (in the sense of being new to their industry) and this is shown for manufacturing in Figure 7. Slightly over half of the large enterprises which had introduced product innovations shown in Figure 5 report them as original in Figure 7. This proportion is moreover generally much higher than that reported by the small and medium-sized groups of enterprises. The contribution of small and medium-sized enterprises to innovation activity as a whole seems to be relatively more dependent upon diffusion innovations than original breakthrough innovations new to the market as a whole.

This is reinforced by looking at the proportion of turnover which is accounted for by products which are 'new or improved for the enterprise' and those which are, in addition, 'new to the market'. This is done in Figures 8 and 9. It would be reasonable to expect larger companies to have wider product portfolios

Turnover due to new or improved product in manufacturing (as a % of total turnover) — 1996

Fig. 8

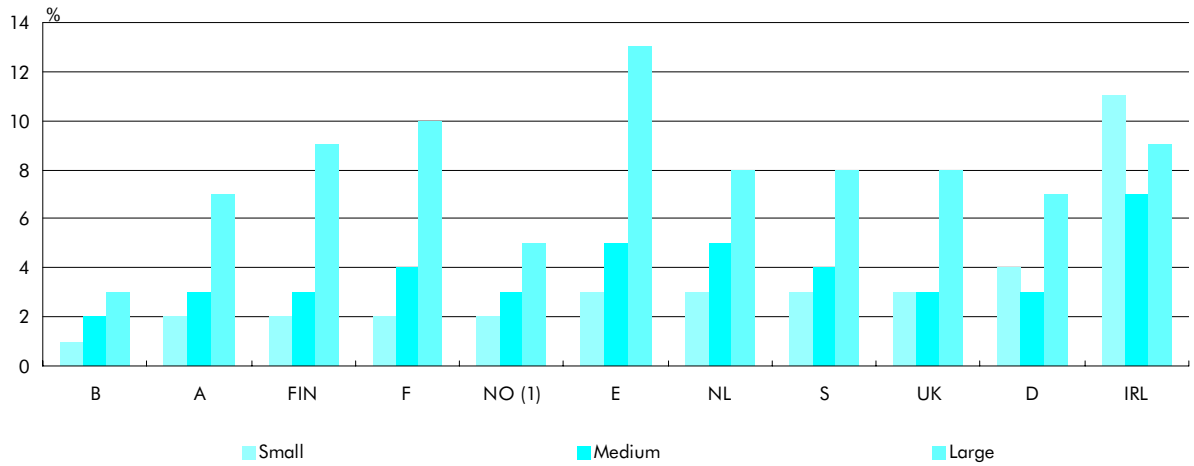


(1) Reference year is 1997.

Source: Eurostat.

Turnover due to product also new to the market in manufacturing (as a % of total turnover) — 1996

Fig. 9



(1) Reference year is 1997.

Source: Eurostat.

which include both mature and new or improved products. This might imply a lower proportion of turnover would be accounted for by new or improved products in larger companies. This tendency would be offset however by the greater proportion of original or novel products and processes in larger enterprises. The data in Figures 8 and 9 suggest that the latter is the more dominant force since small and medium-sized enterprises have lower shares of new or improved products in their turnover and in general an even lower proportion of products original to the market as well as the firm. There are some notable exceptions, in the case of Ireland and Germany for original products, and of Austria for products new or improved for the firm. Otherwise the data confirms the picture provided by the measures of product innovation shown in Figures 6 and 7.

WHY DO ENTERPRISES INNOVATE?

Innovating enterprises were questioned about their objectives in carrying out innovation. The responses are shown separately for manufacturing and services by size class in Table 1. This table shows for each row the median proportion stating that the objective shown in that row was very important. The median is drawn from the proportions found for the individual countries.

Although there are some differences the most significant feature of the table is the similarity in the importance attached to the objectives across the size classes — the ranking is very similar. Thus, in general, large, medium, and small enterprises appear to share similar innovation objectives. For manufacturing the most important of these is market expansion, followed by improved product quality and extended product range. In addition small enterprises also identify reducing labour cost as an important objective. These four objectives are also the most important in the service sector. They can be examined at a country level in Tables 2 to 4.

Table 2 shows the importance attached to improving product or service quality in each country. Although there is some evidence for differences in attitudes across the size classes for certain countries (e.g. the service sector in Austria), no systematic differences emerge. In almost all cases the objective of improving product or service quality is stronger in services than in manufacturing (most notably in Ireland). The lower importance attached to this objective in Finland and the Netherlands reflects a lower score for each objective in both sectors in these two countries.

The responses to the market expansion objective are given in Table 3. Although there are no systematic difference across size classes, manufacturing enterprises generally attach more importance to this objective than do service sector enterprises (again, Ireland is the most significant example in the case of medium and large enterprises).

The importance attached to the objective of reducing labour costs is shown in Table 4. This objective is more frequently cited as important among larger service enterprises than small service enterprises. This size effect is however not apparent within manufacturing. The variation in importance attached to this objective may reflect variations in national labour market conditions at least as much as differences in the nature of the innovations.

Tab. 1 *Objectives of innovation*
(% of innovating enterprises stating objective as very important) — Median value across countries — 1996

	Manufacturing			Services		
	Small	Medium	Large	Small	Medium	Large
Replace products or services	20	24	30	21	20	24
Improve products or services	53	57	57	61	65	70
Extend range of products or services	47	46	42	40	49	44
New markets or gain share	56	58	66	56	53	52
Fulfill regulations or standards	26	18	21	19	20	15
Improve production and business flexibility	27	27	27	21	28	37
Reduce labour cost	43	35	34	23	23	43
Reduce material usage	27	27	31	9	5	6
Reduce energy costs	16	18	20	9	8	9
Reduce environmental damage	24	21	29	12	8	12

Source: Eurostat.

Innovation to improve quality (% of innovating enterprises stating this to be very important) — 1996

Tab. 2

	Manufacturing			Services		
	Small	Medium	Large	Small	Medium	Large
Belgium	50	58	54	70	64	75
Germany	59	64	64	75	80	86
Spain	79	84	80	:	:	:
France	51	53	56	55	62	66
Ireland	60	57	55	72	75	92
Luxembourg	37	53	75	81	100	88
Netherlands	29	32	37	36	29	36
Austria	47	50	57	44	59	70
Finland	36	32	34	52	60	51
Sweden	54	61	57	56	65	60
United Kingdom	68	62	67	61	65	84
Norway ([1])	57	62	64	65	74	59

([1]) Reference year is 1997.

Source: Eurostat.

Innovation undertaken to increase markets/market share (% of innovating enterprises stating this to be very important) — 1996

Tab. 3

	Manufacturing			Services		
	Small	Medium	Large	Small	Medium	Large
Belgium	61	57	71	57	53	57
Germany	48	41	50	42	42	40
Spain	74	77	78	:	:	:
France	58	60	68	56	60	52
Ireland	74	68	68	64	53	27
Luxembourg	58	73	65	72	68	69
Netherlands	21	30	36	33	33	37
Austria	51	47	54	23	39	42
Finland	31	34	35	44	32	32
Sweden	54	56	56	65	61	53
United Kingdom	61	65	66	66	73	63
Norway ([1])	55	61	69	55	63	59

([1]) Reference year is 1997.

Source: Eurostat.

Innovation undertaken to reduce labour cost (% of innovating enterprises stating this to be very important) — 1996

Tab. 4

	Manufacturing			Services		
	Small	Medium	Large	Small	Medium	Large
Belgium	41	33	31	17	29	23
Germany	47	51	54	45	51	52
Spain	31	29	28	:	:	:
France	21	25	32	13	10	31
Ireland	44	28	36	23	28	63
Luxembourg	47	43	60	21	11	50
Netherlands	18	19	24	14	21	20
Austria	58	37	43	31	45	52
Finland	20	21	19	17	14	14
Sweden	33	46	30	23	13	26
United Kingdom	46	41	50	35	23	43
Norway ([1])	56	47	48	31	38	49

([1]) Reference year is 1997.

Source: Eurostat.

Tab. 5

Sources of information for innovation
(% of innovating enterprises stating source to be very important) — Median value across countries — 1996

	Manufacturing			Services		
Source	Small	Medium	Large	Small	Medium	Large
Within enterprise	48	50	57	48	51	49
Within enterprise group	5	15	26	12	17	23
Competitors	17	18	20	17	15	19
Clients	49	49	58	48	50	48
Consultancies	2	4	4	9	4	12
Suppliers	17	17	14	23	18	20
Universities, HEIs	3	4	7	4	3	3
Non-profit research centres	2	3	5	2	3	2
Patent disclosures	1	3	5	0	0	1
Conferences, meetings, journals	7	6	7	8	9	8
Computer-based information	3	4	4	10	10	11
Fairs and exhibitions	22	18	9	13	5	3

Source: Eurostat.

Tab. 6

Sources of information for innovation — From within the enterprise
(% of innovating enterprises which stated this source to be very important) — 1996

	Manufacturing			Services		
	Small	Medium	Large	Small	Medium	Large
Belgium	47	36	51	42	40	49
Germany	55	53	73	60	51	70
Spain	70	76	80	:	:	:
France	41	51	58	43	58	59
Ireland	52	56	77	48	53	36
Luxembourg	53	58	60	68	73	94
Netherlands	38	45	50	39	46	52
Austria	32	34	44	30	30	29
Finland	37	38	48	53	34	32
Sweden	59	50	67	55	58	67
United Kingdom	36	47	51	40	32	39
Norway ([1])	50	51	55	62	76	48

([1]) Reference year is 1997.

Source: Eurostat.

Tab. 7

Sources of information for innovation — From clients
(% of innovating enterprises which stated this source to be very important) — 1996

	Manufacturing			Services		
	Small	Medium	Large	Small	Medium	Large
Belgium	48	62	61	48	46	48
Germany	44	43	50	26	37	26
Spain	57	51	47	:	:	:
France	30	34	33	22	34	31
Ireland	60	56	58	57	50	73
Luxembourg	26	28	75	46	62	44
Netherlands	12	16	18	12	12	19
Austria	50	63	64	62	55	57
Finland	38	47	51	42	39	57
Sweden	73	66	67	53	66	74
United Kingdom	57	48	59	68	52	50
Norway ([1])	53	53	58	56	56	43

([1]) Reference year is 1997.

Source: Eurostat.

WHERE DOES THE INFORMATION FOR INNOVATION COME FROM?

The relative importance of different sources of information for innovation for the countries taken together is shown in Table 5. The two dominant sources are from within the enterprise itself and from clients or customers. Both of these sources have similar values for small and medium enterprises in manufacturing and services. However, their importance is greater in larger manufacturing enterprises than in the remaining groupings. Not surprisingly, information from within the enterprise group is important for larger enterprises, but not for SMEs which are less likely to have subsidiary or associated enterprises than larger businesses. Information from competitors and suppliers is also important, but does not appear to be related to enterprise size. Small and medium-sized enterprises attach much more importance than larger enterprises, to information obtained from trade fairs and exhibitions.

Table 6 examines country differences in the importance of information from within the enterprise. The general picture is that more than half of the innovating enterprises, particularly larger enterprises, regard this source as very important. It is particularly so in Germany, Spain and Norway. There is no clear manufacturing/services difference in this respect, although service enterprises seem to rely more on internal sources of innovation in three countries, France, Luxembourg and the Netherlands, while it is the opposite in Ireland.

Both Austria and the United Kingdom are examples of countries which found other sources of information for innovation to be more important, whatever the sector of activity and the size class. An example of this is found in Table 7 which examines clients as a sources of information. They are an important source for both small and larger enterprises. It is particularly so in Ireland, Austria, Sweden, the United Kingdom and Norway. On the contrary, this source of information is very marginal in the Netherlands and, to a lesser degree, in France. Our previous conclusion that this information source is more important for larger enterprises in manufacturing is generally, but not universally (e.g. Sweden), supported. Here again, there is no clear manufacturing/services difference in this respect, although manufacturing enterprises seem to rely more on this source of innovation in three countries, Belgium, Germany and France.

The importance of suppliers as an information source shows wide variations across both countries and size groupings. For example, Table 8 shows that France, Ireland, Norway and the United Kingdom draw significantly upon this source of information in each size class and in both manufacturing and services. The relative unimportance of this source in Austria and the Netherlands is also noteworthy (although the latter may be associated with its generally lower scores). This source of information seems to be relatively more important for small service enterprises than for larger ones, although there is no such pattern in the manufacturing sector. There is no clear difference between both sectors in this respect either, although this source of information seems to be more important for service enterprises in two countries, France and Sweden, while it is the opposite in Germany.

Sources of information for innovation — From suppliers
(% of innovating enterprises which stated this source to be very important) — 1996

Tab. 8

	Manufacturing			Services		
	Small	Medium	Large	Small	Medium	Large
Belgium	15	16	12	25	11	20
Germany	22	21	23	17	18	8
Spain	17	12	12	:	:	:
France	17	19	20	24	23	20
Ireland	24	24	25	29	19	62
Luxembourg	21	48	0	44	31	38
Netherlands	7	8	7	11	7	10
Austria	7	8	4	2	11	0
Finland	14	10	15	8	17	14
Sweden	13	9	13	23	18	18
United Kingdom	22	27	22	29	18	22
Norway ([1])	29	26	26	21	29	26

([1]) Reference year is 1997.

Source: Eurostat.

Finally, Table 9 provides information on the importance of trade fairs and exhibitions, which we previously showed to be more important as an information source for small enterprises. This conclusion is supported and the table also reveals the greater importance attached to this source in manufacturing than in services. France and the Netherlands are notable in attaching little importance to this source relative to other sources of information for innovation.

WHAT STOPS INNOVATION?

One of the most important areas of debate in innovation policy towards SMEs has been the extent and nature of the constraints they face. Enterprises responding to the CIS2 (see the methodological box at the end of this chapter) were asked whether innovation projects had been: seriously delayed; abandoned; or prevented from starting. It is important to note that these data relate to innovating enterprises. An analysis of constraints for non-innovating enterprises may reveal a different picture. This is not available for the CIS2.

Figures 10 and 11 show that innovating enterprises were around twice as likely to report seriously delayed projects than either abandoned or 'not started' projects. In manufacturing 30 % of small innovating enterprises and 36 % of medium enterprises reported serious delays. In services the respective proportions were 32 and 41 %. These are significant proportions, but they are all less than those experienced by large enterprises. The experience of the medium-sized service enterprises is, however, generally closer to that of the larger service enterprises than is the case in manufacturing. The small enterprises are the least rather than the most constrained of the three size groups, and this is so whether delays in, abandonment of, or failure to start innovation projects are concerned.

The nature of the factors affecting innovation can be analysed separately for each of these three groups of constrained enterprises. The overview is provided in Tables 10 and 11 (p. 138) which show, for manufacturing and services, the importance attached to different factors producing the constrained behaviour.

For manufacturing, Table 10 reveals an interesting picture. Enterprises with abandoned projects identify economic factors like the risk and cost of innovation along with the lack of customer responsiveness as most important. These are obstacles which are more likely to be insurmountable than the other factors and therefore may account for the rejection of the innovation project. On the other hand, enterprises with projects which were seriously delayed place more importance on organisational rigidities, lack of qualified personnel and lack of information. Whilst these are obviously serious constraints, they are capable of being overcome by management action.

The group of enterprises with projects prevented from starting fall somewhere between the other two groups in the importance they attach to particular constraints. However, they place greater emphasis on the cost of innovation and the lack of finance as constraints than do the other two groups. The picture shown for service sector enterprises in Table 11 is very similar.

In the case of seriously delayed projects although the lack of qualified personnel is the most frequently cited important constraining factor, the pattern of *relative* emphasis reveals a different picture for different size-classes. Thus small and medium-sized enterprises are relatively more likely to cite innovation costs as a constraint than are larger enterprises. In addition the small enterprises are most distinctive in terms of their relative emphasis on finance factors, and compliance with regulations as factors constraining project completion. Small enterprises abandoning or failing to start innovation projects also cite these factors more frequently than medium-sized and large enterprises.

In view of their respective relative and absolute importance for small and medium-sized enterprises it is worth examining the lack of finance and lack of qualified personnel constraints in more detail on an individual country basis. This is done in Tables 12 and 13 (pp. 139-140).

Enterprises in the United Kingdom and Belgium generally identify the finance constraint on innovations as more important than other countries. It is also generally the case that this constraint diminishes with enterprise size in each of the constrained groupings shown in Table 12. On the other hand, there is no consistent pattern of this constraining factor across countries or between manufacturing and services.

The analysis of the qualified personnel factor is shown by country and constraint group in Table 13. Taking the broad picture revealed by this table, the Netherlands, Norway and Sweden are the countries which feel this constraint most strongly. Beyond that generalisations are more difficult with the relative importance of the factor varying across both country and constraint group.

Sources of information for innovation — From fairs and exhibitions (% of innovating enterprises which stated this source to be very important) — 1996

Tab. 9

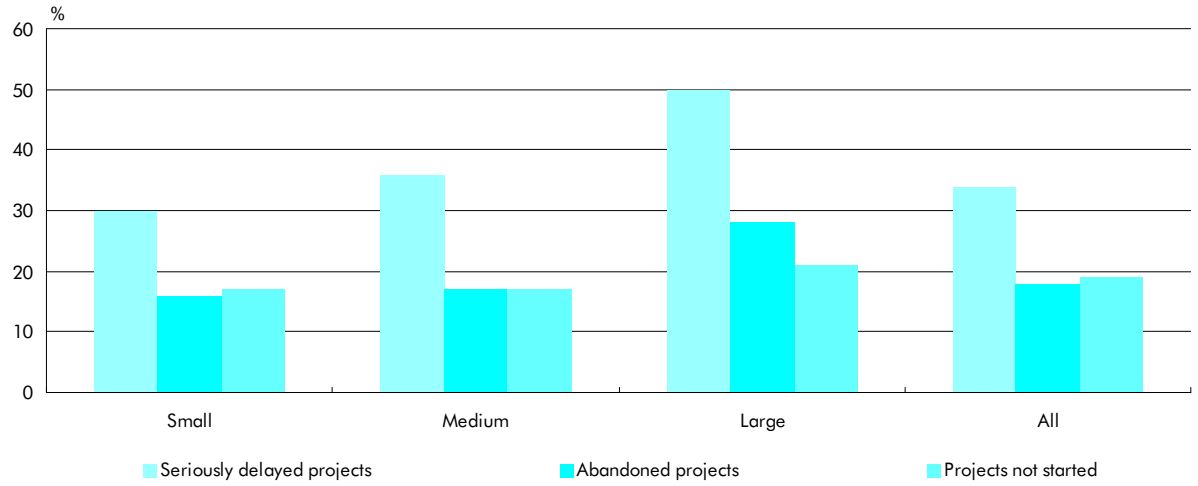
	Manufacturing			Services		
	Small	Medium	Large	Small	Medium	Large
Belgium	23	19	9	11	5	8
Germany	30	28	27	22	17	12
Spain	31	23	14	:	:	:
France	11	9	9	5	4	4
Ireland	33	27	9	22	11	1
Luxembourg	42	40	0	19	23	6
Netherlands	7	8	8	6	5	4
Austria	35	29	23	18	5	2
Finland	13	10	9	3	0	0
Sweden	22	14	5	7	3	3
United Kingdom	15	16	14	21	3	3
Norway ([1])	16	17	15	13	3	3

([1]) Reference year is 1997.

Source: Eurostat.

Constraints on innovation — Manufacturing (% of innovating enterprises which faced constraints on innovation) — Median values across countries — 1996

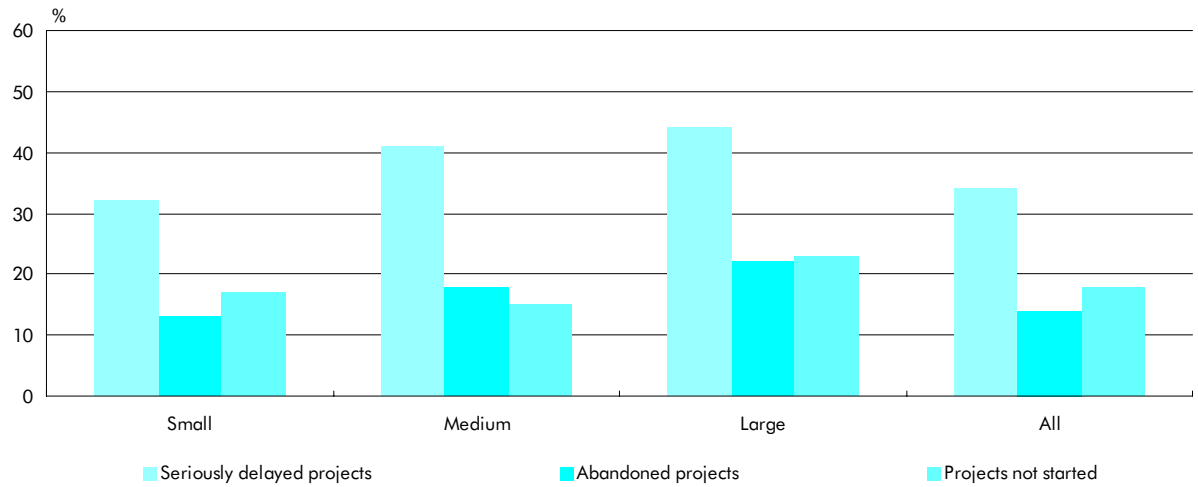
Fig. 10



Source: Eurostat.

Constraints on innovation — Services (% of innovating enterprises which faced constraints on innovation) — Median values across countries — 1996

Fig. 11



Source: Eurostat.

Tab. 10

Constraints on innovation — Manufacturing

(% of innovating enterprises which stated this constraint to be very important) — Median values across countries — 1996

	Enterprises with seriously delayed projects			Enterprises with abandoned projects			Enterprises with projects prevented from starting		
Constraint	Small	Medium	Large	Small	Medium	Large	Small	Medium	Large
Excessive economic risk	20	19	20	36	37	44	41	35	43
Innovation costs too high	26	24	19	33	28	29	43	37	40
Lack of sources of finance	21	15	11	17	11	10	31	24	23
Organisational rigidities	32	35	40	9	9	8	15	15	12
Lack of qualified personnel	39	47	39	12	10	6	24	20	21
Lack of information on technology	21	24	23	13	13	11	15	10	8
Lack of information on markets	17	16	22	10	12	10	16	15	21
Problems with fulfilling regulations	20	14	13	17	5	5	12	10	5
Lack of customer responsiveness	14	17	12	20	26	29	12	14	14

Source: Eurostat.

Tab. 11

Constraints on Innovation — Services

(% of innovating enterprises which stated this constraint to be very important) — Median values across countries — 1996

	Enterprises with seriously delayed projects			Enterprises with abandoned projects			Enterprises with projects prevented from starting		
Constraint	Small	Medium	Large	Small	Medium	Large	Small	Medium	Large
Excessive economic risk	24	13	15	38	33	42	40	43	28
Innovation costs too high	25	17	17	24	41	40	38	32	48
Lack of sources of finance	24	12	9	26	0	14	44	21	20
Organisational rigidities	35	28	46	9	15	21	16	15	24
Lack of qualified personnel	45	54	46	19	15	25	25	24	33
Lack of information on technology	19	16	15	10	6	4	7	7	0
Lack of information on markets	12	11	10	9	7	2	18	9	12
Problems with fulfilling regulations	19	16	15	11	3	4	14	8	8
Lack of customer responsiveness	9	10	10	32	29	13	15	17	15

Source: Eurostat.

Constraints on innovation — Lack of sources of finance (% of innovating enterprises which stated this constraint to be very important) — 1996

Tab. 12

	Manufacturing			Services		
	Small	Medium	Large	Small	Medium	Large
	Enterprises with seriously delayed projects					
Belgium	52	16	17	20	12	10
Germany	21	18	7	29	22	5
Spain	:	:	:	:	:	:
France	27	19	14	27	21	8
Ireland	:	:	:	:	:	:
Luxembourg	20	0	33	0	0	14
Netherlands	12	14	11	14	12	13
Austria	22	13	7	38	7	5
Finland	18	18	12	28	0	4
Sweden	22	11	6	11	14	2
United Kingdom	57	50	28	59	47	18
Norway ([1])	7	8	10	11	6	11
	Enterprises with abandoned projects					
Belgium	12	9	24	29	0	12
Germany	16	7	9	41	18	18
Spain	:	:	:	:	:	:
France	22	16	10	36	25	21
Ireland	:	:	:	:	:	:
Luxembourg	:	40	0	0	0	50
Netherlands	19	7	11	10	4	12
Austria	0	11	6	0	0	33
Finland	17	9	5	0	0	0
Sweden	8	12	18	34	16	0
United Kingdom	27	39	24	50	0	16
Norway ([1])	17	12	9	23	0	0
	Enterprises with projects prevented from starting					
Belgium	29	33	47	65	22	50
Germany	43	37	19	62	50	33
Spain	:	:	:	:	:	:
France	20	27	25	25	36	14
Ireland	:	:	:	:	:	:
Luxembourg	:	0	0	17	0	0
Netherlands	31	22	23	44	27	26
Austria	31	17	23	17	18	11
Finland	31	16	21	46	13	25
Sweden	44	30	26	45	21	9
United Kingdom	49	64	35	84	11	22
Norway ([1])	26	21	24	14	22	19

([1]) Reference year is 1997.

Source: Eurostat.

Tab. 13

Constraints on innovation — Lack of qualified personnel (% of innovating enterprises which stated this constraint to be very important) — 1996

	Manufacturing			Services		
	Small	Medium	Large	Small	Medium	Large
	Enterprises with seriously delayed projects					
Belgium	34	49	43	72	49	33
Germany	29	27	34	37	42	43
Spain	:	:	:	:	:	:
France	32	33	28	43	30	41
Ireland	:	:	:	:	:	:
Luxembourg	20	75	22	0	53	29
Netherlands	45	46	42	46	54	66
Austria	49	22	31	12	66	28
Finland	39	38	36	48	60	64
Sweden	52	55	57	53	70	52
United Kingdom	39	49	50	39	36	52
Norway ([1])	50	61	57	54	60	50
	Enterprises with abandoned projects					
Belgium	17	5	7	30	30	18
Germany	15	9	6	19	22	26
Spain	:	:	:	:	:	:
France	12	9	5	17	5	12
Ireland	:	:	:	:	:	:
Luxembourg	:	0	0	0	27	25
Netherlands	26	12	19	33	13	24
Austria	0	18	3	0	3	100
Finland	0	4	2	18	11	33
Sweden	31	31	23	24	3	5
United Kingdom	11	12	16	0	73	20
Norway ([1])	11	19	23	27	17	31
	Enterprises with projects prevented from starting					
Belgium	28	35	8	0	22	38
Germany	19	18	19	14	28	15
Spain	:	:	:	:	:	:
France	24	20	14	18	21	4
Ireland	:	:	:	:	:	:
Luxembourg	:	0	0	0	17	33
Netherlands	36	26	29	33	21	33
Austria	21	14	23	67	21	11
Finland	28	20	13	0	27	50
Sweden	9	26	36	33	31	44
United Kingdom	18	32	24	57	82	68
Norway ([1])	34	18	47	39	26	6

([1]) Reference year is 1997.

Source: Eurostat.

CONCLUSION

There are substantial variations across European countries in the extent to which SMEs report innovative activity. The evidence nevertheless reveals that such activity is substantial. In twelve European countries on average 44 % of small manufacturing enterprises, 37 % of small service enterprises, made a process or product innovation in the period 1995-97. For enterprises in the medium-sized band (50-249 employees) 59 % of manufacturing enterprises, 49 % of service enterprises, reported making an innovation. SMEs are, however, less innovative than large enterprises of which over 70 % reported an innovation. Innovation by large enterprises is also much more frequently original in the sense of being new to the market as well as to the firm.

SMEs in the small and medium-sized categories spend about the same amount on innovative activity as a percentage of turnover, but the medium-sized enterprises are more innovative. This suggests either positive scale effects in absolute innovation expenditure amongst medium-sized enterprises or more serious constraints facing small firms which prevent them from attempting to innovate at all. Both small firms and medium-sized firms are, however, less likely than large innovative enterprises to report serious delays, or constraints on their innovation projects, once they are involved in innovation. When they do face constraints they are more like than large innovative enterprises to cite high innovation costs, difficulties of access to finance and compliance with regulation as factors holding them back. These are therefore areas to which policy attention should be paid.

Small enterprises in manufacturing are much more likely to rate labour saving objectives as important objectives of innovation than either medium-sized or large enterprises. They also rely more on information external to the firm in developing their innovative activity, and more frequently cite trade fairs and exhibitions as an important source of information than do large enterprises. The provision of, and access to, such information is therefore an important policy area for SMEs.

METHODOLOGY

Sources

Systematic and comparable data on SME innovative activity across countries are notoriously difficult to obtain. In this chapter we rely primarily on the results of the second Community Innovation Survey (CIS2). CIS2 was launched in the EEA Member States in 1997/98, following on from the first Community Innovation Survey carried out in 1992.

Geographical coverage

Twelve European countries took part in CIS2: Belgium, Germany, Spain, France, Ireland, Luxembourg, the Netherlands, Austria, Finland, Sweden, the United Kingdom and Norway.

Survey methodology

The survey was carried out as far as possible by national statistical offices using a common survey methodology and core questionnaire designed to provide harmonised and representative data at a European wide level. The data collected relate to 1996 for Belgium, Germany, Spain, France, Ireland, Luxembourg, the Netherlands, Austria, Finland, Sweden, and the United Kingdom and to 1997 for Norway.

In general, simple random sampling in each size band was used at the 2 digit NACE level to generate an achieved sample of 33 700 enterprises with an average response rate of 57 % varying nationally from 24 % to 90 %. The results are obtained on a grossed up basis weighting for enterprise shares in the underlying populations and allowing for non-response (for further details see Foyn, 1999).

Statistical unit

The statistical reporting unit in CIS2 was the enterprise.

Sectoral coverage

The survey covered all manufacturing industries, electricity, gas and water supply, and (except for Spain) the wholesale trade, transport, telecommunications, financial services, computer and related activities and engineering services.

Two aggregates are used in this study:

- Manufacturing, corresponding to NACE Rev. 1 section D (divisions 15 to 37) and
- Services, corresponding to NACE Rev. 1 codes 51, 60 to 63, 642, 65 to 67, 72, 73, 741 and 742.

METHODOLOGY (cont.)

Size classes

The target population covered all enterprises in manufacturing with 20 or more employees and all service enterprises with 10 or more employees. It thus excludes the very smallest enterprises but it does allow an analysis of three size bands in the remainder of the population.

These size bands are:

- small (10 to 49 employees in the case of services,
  20 to 49 employees in the case of manufacturing),
- medium (50 to 249 employees) and
- large (250 or more employees).

Definitions

The measurement of innovation in CIS2 is based on the *Oslo manual*.

Technological innovations new to the firm are defined as technologically new, or significantly technologically improved, products and processes. These must represent an objective improvement in the performance of a product or in the way in which it is produced or delivered. An innovation is defined as implemented, if it has been introduced on the market (product innovation) or used within a production process (process innovation).

The survey distinguishes between:

- product or process innovations that are *new (or significantly improved) to the enterprise* and
- those which are *in addition new to the enterprise's market*.

The former may be regarded as diffusion innovations and the latter as *original* or novel innovations (see e.g. Cosh Hughes and Wood, 1999).

In addition to recording the act of innovation the survey also provides other information on innovative activity.

- One is *innovation intensity*, which is defined as innovation expenditure as percentage of turnover, and which includes R&D, expenditure on technology transfer, and innovation related expenditures on machinery, design, training and marketing.
- Another relates to the identification of *innovation active* enterprises. These include not only those enterprises which have implemented an innovation but those which have projects yet to begin or projects that have been unsuccessful or are incomplete.

References

- Cosh, A. D., Hughes, A. and Wood, E. 'Innovation in UK SMEs: Causes and Consequences for Firm Failure and Acquisition', in Acs, Z. J., Carlsson, B. and Karlsson, C. (eds), *Enterpreneurship, Small and Medium Sized Enterprises and the Macro Economy*, Cambridge University Press, Cambridge, 1999.
- Foyn, F., 'Community Innovation Survey 1997/8', *Statistics in Focus*, Research and Development Theme 9 — 2/1999, Eurostat, Luxembourg, 1999, pp. 1-7.

The purpose of this chapter is to examine the financial position of European small and medium-sized enterprises, particularly those in the European Union, in the 1990s. The Third Multi-annual Programme for SMEs in the European Union (1997-2000) and the multi-annual Programme for Enterprise and Entrepreneurship (2001-2005) placed particular emphasis on their financial environment. It highlighted the need to improve access for loan finance, to develop SME-oriented financial instruments and capital markets, and to reduce late payment problems. These issues are amongst those underlying or explored in this chapter. The main comparison is between 1991 and 1997. The analysis is provided for individual countries where data are available ([1]) and is divided into four sectors: manufacturing, transport and communication, trade, and other services. A principal focus of the analysis in this chapter is a comparison of small enterprises with those in larger size classes. The size classes used in this analysis are those defined in the BACH database which constitutes its main source ([2]). They are thus specific to this analysis and are as follows:

- Small enterprises: turnover of less than ECU 7 million;
- Medium-sized enterprises: turnover comprised between ECU 7 and 40 million;
- Large enterprises: turnover of at least ECU 40 million and
- All enterprises: all of the above.

This comparison minimises the difficulties associated with differences in accounting practices across the countries for which the analysis is provided.

In brief ...

- The profit margin on sales of SMEs in 1997 was generally similar to, or higher, than that of larger enterprises in all sectors except transport and communication and had generally improved since 1991 in several Member States.
- When the profit margin on sales of SMEs rose in the 1990s, this improvement was not always matched by an improvement in the rate of return on assets, suggesting that, in some cases, SMEs have been increasing their capital intensity in this period.
- Small enterprises generally show higher value added as a percentage of turnover, but this is associated with a generally higher staff costs ratio too.
- In several Member States, SMEs have generally increased their working capital requirements during the 1990s relative to large enterprises.
- Small enterprises similarly rely generally more heavily on short term debt from long term debt and their overall level of gearing seems to be slightly greater than other enterprises.
- There is no consistent evidence that SMEs have become, by a large majority, less reliant on debt-based finance during the 1990s.
- The interest charge on profits has generally fallen during the 1990s, particularly for SMEs.
- Amongst UK SMEs, the smallest firms were less likely to be seeking external finance. The success of SMEs in obtaining external finance increased in the 1990s.
- The importance of bank finance of UK SMEs has declined as they have diversified their sources of financial support. This picture might however be different in other Member States.

([1]) i.e. Belgium, Denmark, Germany, Spain, France, Italy, the Netherlands, Austria, Portugal and Sweden for data coming from the BACH database, and the United Kingdom on the basis of a specific database elaborated by the CBR.
([2]) See the methodological box at the end of this chapter for further details, pp. 166-168.

PROFITABILITY

Small enterprises rather improve margins relative to larger enterprises, but not their return on assets

The average level of profitability amongst European enterprises has varied through recent business cycles. In most sectors, the median profit rate fell sharply from the late 1980s until 1993, rose to a peak in 1995, followed by further declines until 1997 (see Figure 1). The first measure of profitability used here is the profit margin defined as gross pre-tax operating profit as a percengage of turnover.

Table 1 shows the profit margin for the three size classes and four sectors for 1991 and 1997, years which occupied similar positions in their business cycle. In each case it shows the ratios for the individual countries and the median value across the countries ([1]). The data show some improvement in the profit margin for manufacturing and other services enterprises between 1991 and 1997, the picture being more mixed in the other two sectors. Small enterprises exhibit generally lower profit margin than large enterprises in the transport and communications sector in 1997, but a generally as good, or higher, profitability in the other sectors. A global improvement in the profit margin of small enterprises relative to large in the 1990s is also observed, but this is not universal and Italy is an example of a country in which the relative performance of small enterprises has deteriorated.

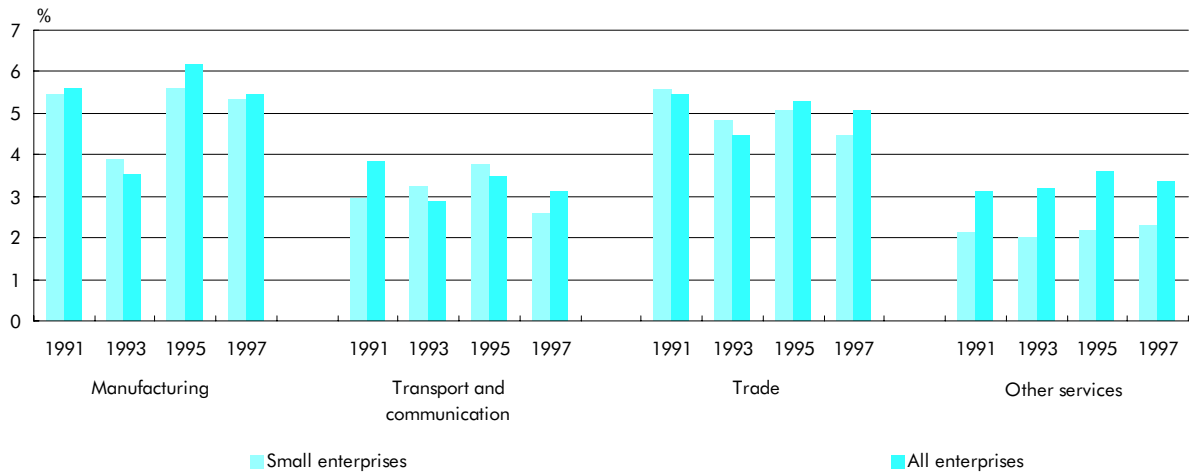
Although widely used, the profit margin suffers from differences in the assets to turnover ratio across sectors and size classes. For this reason Figure 1 and Table 2 examine profitability using the rate of return on assets (profit rate). Figure 1 shows the median value across the countries and seems to reveal a recovery in profit rates in recent years after a significant drop in the early 1990s. Manufacturing experienced the greatest decline in the early years of the decade, whilst other services were little affected. There is no evidence to support the view that SMEs fared worse during these years. Indeed, if anything, the figure suggests they were hit less severely in terms of their profit rates. Differences in profit margins across groups of firms, or over time, are associated with either differences in their profit rates on assets, or variations in their assets to sales ratios. The generally smaller variations found for profit rates in Table 2 (p. 148) show that the major differences in profit margins observed in Table 1 were probably accounted for by the assets to turnover ratio. Overall, the figures reveal little change in profitability in the 1990s and no consistent difference between small and larger enterprises. The higher profit margin on the whole for transport and communication and other services in Table 1 is generally reversed when one considers the return on assets. It is notable that the other services sector which has been vibrant in the 1990s (particularly for SMEs), does not reflect this in terms of its return on assets.

The observation that the improvement in SME profit margin in the 1990s is not always matched by its profit rate performance suggests that SMEs have in some instances moved towards more capital intensive means of production, but this is only a tentative conclusion. This is supported by the finding that SMEs more frequently cite labour saving as a very important objective of their innovative activity.

([1]) The median is defined as the value which occupies the central position in a series of values ranked by size.

Fig. 1

Profit rate — 1991-97
(net pre-tax operating profit as a % of total assets) — Median values across countries



Source: Eurostat/DG ECFIN — BACH database.

Profit margin — 1991 and 1997
(gross pre-tax operating profit as a % of turnover)

Tab. 1

	1991			1997		
	Small	Medium	Large	Small	Medium	Large
Manufacturing						
Belgium	8.0	8.6	9.5	10.2	9.6	10.4
Denmark	8.5	8.8	9.7	13.1	10.3	11.8
Germany	8.1	8.3	8.3	:	:	:
Spain	10.5	10.4	7.9	10.6	11.6	9.3
France	8.7	9.8	10.8	8.3	9.0	9.8
Italy	9.3	9.9	9.0	7.2	10.2	10.3
Netherlands	:	11.9	11.4	11.4	12.9	12.0
Austria	10.6	11.0	12.3	10.5	9.1	9.8
Portugal	10.3	12.8	14.3	10.3	11.1	13.6
Sweden	6.2	6.6	6.6	:	:	:
Median	8.7	9.8	9.6	10.4	10.3	10.4
Transport and communication						
Belgium	10.1	8.7	15.3	11.0	8.3	14.9
Denmark	:	:	:	:	:	:
Germany	:	:	:	:	:	:
Spain	14.5	22.5	42.6	15.2	17.7	41.1
France	11.0	8.4	17.7	8.0	7.0	17.2
Italy	9.9	12.3	28.4	8.9	7.9	18.0
Netherlands	:	17.3	19.9	12.2	19.1	19.3
Austria	14.8	11.5	9.1	14.9	17.6	3.3
Portugal	6.4	9.3	24.2	10.5	8.9	30.7
Sweden	:	:	:	:	:	:
Median	10.5	11.5	19.9	11.0	8.9	18.0
Trade						
Belgium	5.3	4.6	3.1	6.6	4.3	2.8
Denmark	:	:	:	:	:	:
Germany	4.8	4.7	2.8	:	:	:
Spain	6.0	4.9	5.2	8.1	5.1	6.0
France	4.9	4.6	4.5	4.8	4.4	4.4
Italy	6.3	5.4	3.6	4.8	4.6	4.0
Netherlands	:	8.7	5.1	7.1	11.2	4.6
Austria	7.9	6.9	5.1	5.8	3.9	3.0
Portugal	:	:	:	:	:	:
Sweden	3.6	2.9	2.5	:	:	:
Median	5.3	4.8	4.1	6.2	4.5	4.2
Other services						
Belgium	14.3	14.9	10.6	20.0	15.8	13.9
Denmark	:	:	:	19.8	:	:
Germany	:	:	:	:	:	:
Spain	16.6	11.0	2.3	:	:	:
France	10.8	10.5	9.7	10.8	10.1	13.7
Italy	12.0	11.2	11.4	8.9	9.7	11.3
Netherlands	:	20.1	12.2	14.5	20.3	11.9
Austria	33.3	10.7	9.1	21.1	10.9	4.8
Portugal	:	:	:	:	:	:
Sweden	8.8	8.5	9.6	:	:	:
Median	13.2	11.0	9.7	17.1	10.9	11.9

Source: Eurostat/DG ECFIN — BACH database.

Tab. 2

Profit rate — 1991 and 1997
(net pre-tax operating profit as a % of total assets)

	1991			1997		
	Small	Medium	Large	Small	Medium	Large
Manufacturing						
Belgium	3.1	4.2	3.1	3.5	5.5	5.1
Denmark	5.4	6.3	7.1	13.0	9.0	8.7
Germany	8.0	7.5	4.8	:	:	:
Spain	7.9	6.0	2.3	7.3	7.6	5.9
France	6.6	7.4	5.8	5.9	6.0	5.2
Italy	4.8	6.0	3.2	2.6	6.2	5.3
Netherlands	:	6.9	6.2	8.3	7.6	6.4
Austria	7.3	8.3	7.7	4.7	5.3	5.5
Portugal	5.2	6.5	6.8	3.2	5.1	7.5
Sweden	1.8	2.0	2.6	:	:	:
Median	5.4	6.4	5.3	5.3	6.1	5.7
Transport and communication						
Belgium	2.8	2.0	1.8	2.6	3.5	2.8
Denmark	:	:	:	:	:	:
Germany	:	:	:	:	:	:
Spain	3.1	2.2	6.3	5.0	1.4	5.7
France	4.1	3.3	3.4	3.5	2.7	3.1
Italy	-0.5	1.8	4.5	0.9	2.1	1.5
Netherlands	:	4.2	5.1	7.2	6.8	5.4
Austria	4.2	2.7	4.0	2.0	1.9	2.3
Portugal	2.4	1.0	2.8	1.1	-0.8	5.5
Sweden	:	:	:	:	:	:
Median	3.0	2.2	4.0	2.6	2.1	3.1
Trade						
Belgium	4.2	5.4	4.0	3.8	5.3	3.8
Denmark	:	:	:	:	:	:
Germany	7.7	9.2	5.5	:	:	:
Spain	7.3	5.8	5.7	6.2	5.7	6.5
France	5.3	5.9	5.1	5.1	5.7	5.5
Italy	5.6	6.4	4.3	3.3	5.3	4.5
Netherlands	:	4.7	5.7	7.3	6.2	5.1
Austria	8.2	9.5	7.6	3.6	2.9	2.9
Portugal	:	:	:	:	:	:
Sweden	4.0	3.3	4.3	:	:	:
Median	5.6	5.8	5.3	4.4	5.5	4.8
Other services						
Belgium	1.3	2.3	4.0	1.4	2.4	5.0
Denmark	:	:	:	34.1	:	:
Germany	:	:	:	:	:	:
Spain	3.4	1.3	-1.8	:	:	:
France	1.2	2.8	3.9	2.3	2.9	4.3
Italy	2.2	3.3	3.5	2.2	3.9	4.3
Netherlands	:	6.0	7.9	8.7	7.1	10.6
Austria	8.0	6.1	4.5	0.1	1.5	3.4
Portugal	:	:	:	:	:	:
Sweden	2.1	2.5	7.5	:	:	:
Median	2.1	2.8	4.0	2.3	2.9	4.3

Source: Eurostat/DG ECFIN — BACH database.

VALUE ADDED

Small enterprises typically have higher value added as a percentage of turnover

The value added to turnover ratio is presented in Figure 2 and Table 3. It shows a higher value for small enterprises than larger enterprises in almost all countries and all sectors other than transport and communication. Care is needed in the interpretation of this ratio. Although it is clearly beneficial for enterprises to capture value added, the ratio does depend on both how far the enterprise is down the production/distribution chain and on the degree of vertical integration in the enterprise. This caveat is supported by the lack of association between countries with a high value added ratio and their relative profit rate in any sector, or year.

The lower value added ratio in the distributive trades reflects their position at the end of the production/distribution chain and this is also exhibited in their lower profit margin. In the same way, the generally higher value added ratio of other services is associated with the high labour content of output in this sector.

Table 3 (p. 150) reveals that there are marked variations across the countries within the sectors. Italy again shows a worsening performance of its SMEs during the 1990s. On the other hand Austria shows in 1997 a higher than median value added ratio in all sectors other than large enterprises in transport and communication and other services.

STAFF COSTS

The share of staff costs has fallen in the 1990s, but remains higher for SMEs

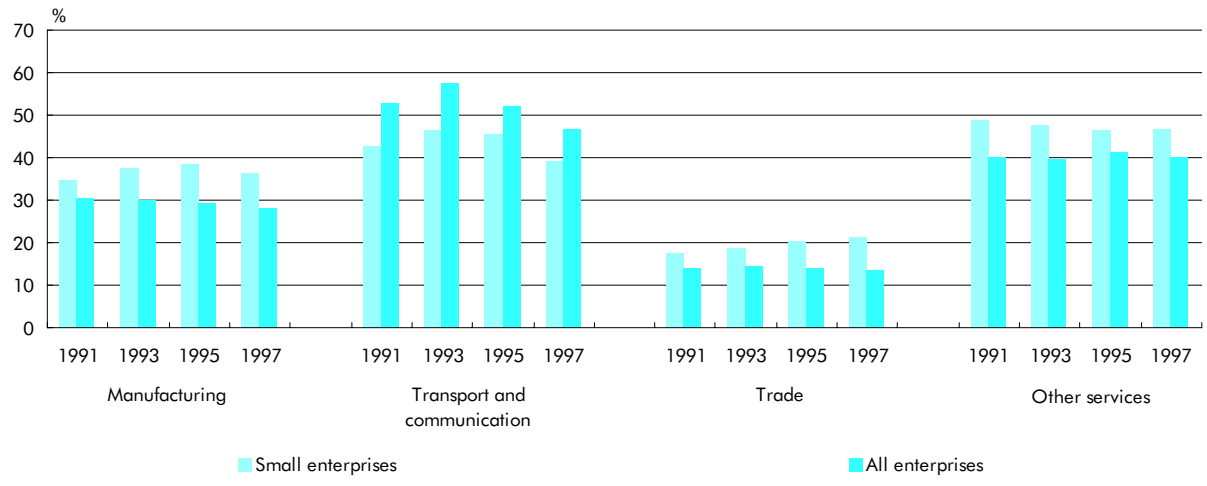
The main deduction from value added in calculating profit is, of course, staff costs. The share of labour costs (wages and salaries plus social security cost) in value added results from the level of labour remuneration and labour productivity (i.e. value added per unit of labour cost). The differences in the staff costs ratio across sectors, shown in Table 4 (p. 151), are generally not great but, with the exception of other services, each sector shows some reduction in the staff costs ratio in the 1990s. This perhaps reflects the productivity increases achieved during this time (but Austria is a notable mover in the opposite direction).

Another feature which can be seen, with the exception of other services, is the generally lower staff costs ratio for larger enterprises. Two points can be made here: first, this may reflect the higher capital intensity of production of large enterprises and second, it is by no means always the case. For example, transport and communication and distributive trades show a number of countries where large enterprises have a higher staff costs ratio.

In the comparison across countries we find that Sweden has a generally higher staff costs ratio, but missing data prevent us from confirming this for 1997. Other countries with a high staff costs ratio include Austria, Denmark and Germany, but these countries do not particularly have lower profitability than the others.

Value added as a % of turnover — 1991-97
Median values across countries

Fig. 2



Source: Eurostat/DG ECFIN — BACH database.

Tab. 3

Value added as a % of turnover — 1991 and 1997

	1991			1997		
	Small	Medium	Large	Small	Medium	Large
Manufacturing						
Belgium	30.6	29.0	28.1	33.2	28.6	26.6
Denmark	41.2	33.9	30.1	42.6	35.6	32.2
Germany	40.4	36.4	34.2	:	:	:
Spain	34.8	33.5	28.3	33.8	29.9	23.1
France	39.2	33.0	28.8	38.8	31.7	26.6
Italy	31.7	28.5	27.7	26.3	28.1	26.0
Netherlands	:	35.4	27.7	41.3	35.6	25.7
Austria	42.0	38.0	37.0	42.9	37.7	31.0
Portugal	33.6	30.0	28.2	33.4	27.1	24.1
Sweden	34.8	31.7	28.5	:	:	:
Median	34.8	33.3	28.4	36.3	30.8	26.3
Transport and communication						
Belgium	30.6	27.8	56.2	32.7	25.4	44.6
Denmark	:	:	:	:	:	:
Germany	:	:	:	:	:	:
Spain	55.7	65.6	84.3	48.0	58.9	70.2
France	43.4	35.2	60.7	39.1	35.1	53.5
Italy	42.0	40.2	52.1	38.3	30.2	41.1
Netherlands	:	44.2	53.3	43.9	46.7	46.9
Austria	49.2	59.4	32.7	49.0	46.7	16.7
Portugal	26.8	36.2	70.7	31.2	36.9	61.9
Sweden	:	:	:	:	:	:
Median	42.7	40.2	56.2	39.1	36.9	46.9
Trade						
Belgium	16.0	13.2	9.4	17.8	12.7	8.1
Denmark	:	:	:	:	:	:
Germany	17.3	14.6	9.2	:	:	:
Spain	18.6	14.8	15.1	25.3	14.8	14.2
France	20.3	15.0	13.6	20.2	14.7	12.3
Italy	15.9	12.3	9.5	14.4	11.2	9.7
Netherlands	:	23.2	13.6	22.4	27.4	11.7
Austria	23.8	22.7	15.3	22.5	17.3	12.9
Portugal	:	:	:	:	:	:
Sweden	17.5	13.4	10.6	:	:	:
Median	17.5	14.7	12.1	21.3	14.8	12.0
Other services						
Belgium	34.7	40.7	29.9	40.6	40.3	38.4
Denmark	:	:	:	40.4	:	:
Germany	:	:	:	:	:	:
Spain	54.7	51.6	35.8	:	:	:
France	52.8	51.4	59.0	54.8	55.0	64.3
Italy	41.5	41.0	30.0	37.2	36.2	31.3
Netherlands	:	55.8	53.5	53.0	55.2	48.9
Austria	61.5	40.1	28.6	80.7	41.2	25.3
Portugal	:	:	:	:	:	:
Sweden	45.1	39.5	32.5	:	:	:
Median	49.0	41.0	32.5	46.8	41.2	38.4

Source: Eurostat/DG ECFIN — BACH database.

Staff costs as a % of value added — 1991 and 1997

Tab. 4

	1991			1997		
	Small	Medium	Large	Small	Medium	Large
Manufacturing						
Belgium	74.0	70.3	66.4	69.3	66.3	60.8
Denmark	79.4	74.1	67.9	69.3	71.1	63.4
Germany	80.1	77.3	75.9	:	:	:
Spain	69.9	69.1	72.0	68.7	61.3	59.8
France	77.7	70.4	62.6	78.6	71.7	63.1
Italy	70.7	65.4	67.4	72.5	63.6	60.5
Netherlands	:	66.5	58.7	72.3	63.6	53.3
Austria	74.8	71.2	66.7	75.6	75.8	68.3
Portugal	69.4	57.5	49.4	69.0	59.0	43.5
Sweden	82.3	79.2	76.8	:	:	:
Median	74.8	70.4	67.0	70.8	65.0	60.6
Transport and communication						
Belgium	67.1	68.9	72.8	66.3	67.4	66.6
Denmark	:	:	:	:	:	:
Germany	:	:	:	:	:	:
Spain	74.1	65.8	49.5	68.3	69.9	41.5
France	74.7	76.1	70.8	79.6	80.0	67.8
Italy	76.5	69.1	45.4	76.7	74.0	56.2
Netherlands	:	61.0	62.6	72.1	59.2	58.9
Austria	69.9	80.6	72.2	69.6	62.4	80.5
Portugal	76.1	74.4	65.8	66.3	75.8	50.4
Sweden	:	:	:	:	:	:
Median	74.4	69.1	65.8	69.6	69.9	58.9
Trade						
Belgium	67.0	65.2	66.7	62.7	66.5	65.9
Denmark	:	:	:	:	:	:
Germany	72.1	68.1	69.0	:	:	:
Spain	67.6	66.9	65.4	68.1	65.4	57.4
France	76.0	69.2	66.7	76.1	69.9	63.8
Italy	60.3	56.3	62.1	66.5	59.2	59.0
Netherlands	:	62.5	62.8	68.1	59.0	60.6
Austria	66.7	69.7	66.7	74.3	77.8	77.1
Portugal	:	:	:	:	:	:
Sweden	79.7	78.2	76.8	:	:	:
Median	67.6	67.5	66.7	68.1	66.0	62.2
Other services						
Belgium	58.9	63.2	64.5	50.7	60.9	63.7
Denmark	:	:	:	50.9	:	:
Germany	:	:	:	:	:	:
Spain	69.6	78.7	93.6	:	:	:
France	79.6	79.5	83.6	80.3	81.7	78.7
Italy	70.9	73.1	61.8	76.0	73.2	63.9
Netherlands	:	63.9	77.2	72.7	63.3	75.6
Austria	45.8	73.3	68.4	73.9	73.5	81.0
Portugal	:	:	:	:	:	:
Sweden	80.6	78.6	70.4	:	:	:
Median	70.2	73.3	70.4	73.3	73.2	75.6

Source: Eurostat/DG ECFIN — BACH database.

Tab. 5

Working capital rates — 1991 and 1997 (working capital as a % of turnover)

	1991			1997		
	Small	Medium	Large	Small	Medium	Large
Manufacturing						
Belgium	17.4	20.1	17.7	18.4	18.7	15.3
Denmark	17.0	15.6	13.4	:	:	:
Germany	18.2	21.1	18.8	:	:	:
Spain	27.5	31.7	22.2	25.1	26.4	11.9
France	20.8	23.1	22.2	20.6	22.5	19.1
Italy	30.6	30.9	28.5	30.8	28.3	22.5
Netherlands	:	21.2	14.8	:	20.5	12.4
Austria	22.3	23.1	21.8	21.8	22.0	19.5
Portugal	23.6	30.7	25.3	25.2	25.7	17.0
Sweden	19.1	20.0	17.0	:	:	:
Median	20.8	22.2	20.3	23.4	22.5	17.0
Transport and communication						
Belgium	4.8	5.2	10.3	:	:	:
Denmark	:	:	:	:	:	:
Germany	:	:	:	:	:	:
Spain	13.9	21.4	8.8	12.8	17.9	7.0
France	12.7	11.9	1.7	10.6	8.5	3.4
Italy	22.6	14.3	-1.9	17.8	10.3	6.5
Netherlands	:	8.0	7.6	:	8.3	5.3
Austria	9.2	26.9	6.1	0.0	-0.3	-0.2
Portugal	9.5	4.7	12.5	9.6	12.5	6.9
Sweden	:	:	:	:	:	:
Median	11.1	11.9	7.6	10.6	9.4	5.9
Trade						
Belgium	11.7	12.1	8.9	13.7	12.5	9.6
Denmark	:	:	:	:	:	:
Germany	14.6	14.0	11.0	:	:	:
Spain	18.6	19.0	8.6	18.7	15.8	2.5
France	11.9	11.3	6.5	12.4	11.4	6.4
Italy	22.9	20.2	9.8	20.5	16.9	7.7
Netherlands	:	22.7	12.6	:	19.4	11.3
Austria	14.9	18.0	8.6	20.0	17.4	10.8
Portugal	:	:	:	:	:	:
Sweden	13.4	15.5	8.9	:	:	:
Median	14.6	16.7	8.9	18.7	16.3	8.6
Other services						
Belgium	:	:	:	52.0	46.6	28.0
Denmark	:	:	:	:	:	:
Germany	:	:	:	:	:	:
Spain	60.0	66.0	60.0	58.3	45.4	68.8
France	17.7	22.5	21.9	17.3	16.1	27.1
Italy	50.3	30.1	13.5	35.4	25.0	11.6
Netherlands	:	11.8	11.0	:	9.3	10.8
Austria	12.0	25.4	14.3	12.2	6.6	10.4
Portugal	:	:	:	:	:	:
Sweden	12.8	16.9	8.1	:	:	:
Median	17.7	23.9	13.9	35.4	20.5	19.3

Source: Eurostat/DG ECFIN — BACH database.

WORKING CAPITAL

SMEs generally have higher working capital requirements than larger enterprises and this gap has rather increased in several countries between 1991 and 1997

A further aspect of enterprise efficiency is the management of its working capital. This is investigated here using the working capital ratio which measures stocks and trade debtors (net of trade creditors) as a percentage of turnover. The difficulty with interpretation of this ratio is that for maximum efficiency it should be neither too high nor too low, but it is not possible to determine exactly what level represents the optimum balance between financial security and inefficient levels of current assets. Table 5 shows that the working capital ratio is generally highest in manufacturing and other services, but this is to be expected given the stocks necessarily held by manufacturing enterprises. The table also reveals that the working capital ratio is generally higher for small and medium-sized enterprises (with the exception of other services at the end of the 1990s).

The increase in this ratio, in several Member States, for small manufacturing enterprises in the 1990s is noteworthy, whilst that for large enterprises in manufacturing declined. This may be due to greater efficiency of stockholding (through the introduction of 'Just In Time' production processes and improved logistics) and debt management in large enterprises, but it may also be due to the increased financial pressure on small companies if worsening terms of trade are imposed on them by large enterprises. This problem of late payments and inadequate cashflow management by SMEs was identified by the European Commission as requiring a community-wide solution. This increase is, in general, also noteworthy for small trade enterprises.

If we assume the median levels of these working capital ratio reflect reasonably good practice, the enterprises in Italy and Spain would appear, in numerous instances, to be capable of significant improvements in their management of working capital. This supports the view that improvements in the management practices of SMEs are also required.

EQUITY FINANCE

Equity finance of total assets is generally simillar for SMEs and large enterprises, but this is not found in all cases

This analysis of capital structure begins with the examination of the equity ratio which measures the proportion of total assets which are financed by equity capital. The level of this ratio will depend on the capital needs of the enterprise, the stage of development of the venture capital and private equity markets in that country and the enterprise's stage of development.

A small, recently-formed, enterprise with low capital expenditure needs is likely to be financed primarily by its founders' original equity capital. On the other hand, a small enterprise with significant capital requirements is likely to engage in borrowing to finance its asset purchases as it outstrips its founders' ability to fund growth. Raising equity finance from outsiders may threaten the independence of the founders. Small firms may also face capital market imperfections arising from scale economies in the administration and monitoring costs associated with raising external equity. Larger firms do not face these imperfections to the same degree. They thus may take on a higher equity ratio as they move through the 'pecking order of finance' from debt to equity (having outstripped their ability to fund growth from internal cash flows). These various factors probably account for the varying differences between large and small enterprises observed in Table 6 (p. 154) across the various sectors. In 1997, large enterprises are thus characterized by a higher equity ratio than small ones in the manufacturing sector and by a generally similar one in other sectors. There is no systematic sectoral shift with regard to this ratio, although it appears to be generally a little higher in the other services sector. On the other hand, there are quite large differences across countries in this respect, Spain witnessing, for example, a much higher equity ratio, in general, than the median. This equity ratio has been generally growing between 1991 and 1997 for the various sectors and size classes.

Tab. 6

Equity ratio — 1991 and 1997
(share capital and reserves as a % of total assets)

	1991			1997		
	Small	Medium	Large	Small	Medium	Large
Manufacturing						
Belgium	39.5	37.5	39.6	38.5	37.7	42.9
Denmark	27.4	31.8	41.8	31.7	36.3	46.4
Germany	15.1	21.4	31.4	:	:	:
Spain	43.1	43.5	38.2	44.3	46.4	45.6
France	31.9	33.2	33.9	37.0	37.7	38.2
Italy	27.6	27.1	30.0	25.1	25.2	29.7
Netherlands	:	44.7	43.7	35.0	44.7	49.2
Austria	12.3	25.1	27.9	29.0	30.5	32.6
Portugal	31.0	40.2	50.0	31.1	38.9	46.4
Sweden	21.3	29.8	25.2	:	:	:
Median	27.6	32.5	36.0	33.3	37.7	44.2
Transport and communication						
Belgium	29.3	26.0	34.4	36.6	30.4	35.5
Denmark	:	:	:	:	:	:
Germany	:	:	:	:	:	:
Spain	51.3	64.9	37.4	48.5	75.7	46.4
France	22.2	31.2	24.3	29.6	37.9	9.5
Italy	38.8	33.8	28.2	29.8	31.9	53.1
Netherlands	:	32.5	39.9	29.7	29.8	47.6
Austria	13.0	7.1	30.7	43.1	21.9	19.7
Portugal	30.2	49.3	31.2	54.3	32.3	31.2
Sweden	:	:	:	:	:	:
Median	29.8	32.5	31.2	36.6	31.9	35.5
Trade						
Belgium	31.6	28.8	30.5	28.6	30.1	30.4
Denmark	:	:	:	:	:	:
Germany	11.8	16.0	21.1	:	:	:
Spain	36.5	37.1	38.2	47.0	41.2	40.1
France	26.6	25.6	28.7	33.7	31.4	30.3
Italy	22.8	19.2	19.7	19.0	18.6	19.3
Netherlands	:	44.8	32.9	32.5	45.5	35.3
Austria	6.6	21.2	21.9	30.8	23.2	20.3
Portugal	:	:	:	:	:	:
Sweden	13.8	14.6	16.1	:	:	:
Median	22.8	23.4	25.3	31.6	30.7	30.3
Other services						
Belgium	41.1	39.7	32.6	47.0	38.2	36.2
Denmark	:	:	:	25.0	:	:
Germany	:	:	:	:	:	:
Spain	55.2	44.5	45.2	54.5	60.1	39.0
France	34.3	34.2	38.6	41.4	41.9	27.8
Italy	25.6	20.4	17.8	25.7	23.2	17.1
Netherlands	:	23.1	25.0	36.5	28.4	35.5
Austria	42.6	19.2	32.1	33.2	46.2	39.2
Portugal	:	:	:	:	:	:
Sweden	31.2	14.1	17.2	:	:	:
Median	37.7	23.1	32.1	36.5	40.1	35.9

Source: Eurostat/DG ECFIN — BACH database.

DEBT FINANCE

Small enterprises have in general greater debt finance and SMEs a generally higher proportion of short-term debt than larger enterprises

The above analysis would lead to expect a higher debt ratio amongst small enterprises where they finance a lower proportion of their assets from equity (and this is not compensated by a lower working capital ratio). There is also the important question about the maturity of this debt, which also raises the issues of financial stability and autonomy in small enterprises. These issues are addressed in Figure 3 and Tables 7-9 (pp. 156-158) which show the debt of these enterprises as a percentage of total assets.

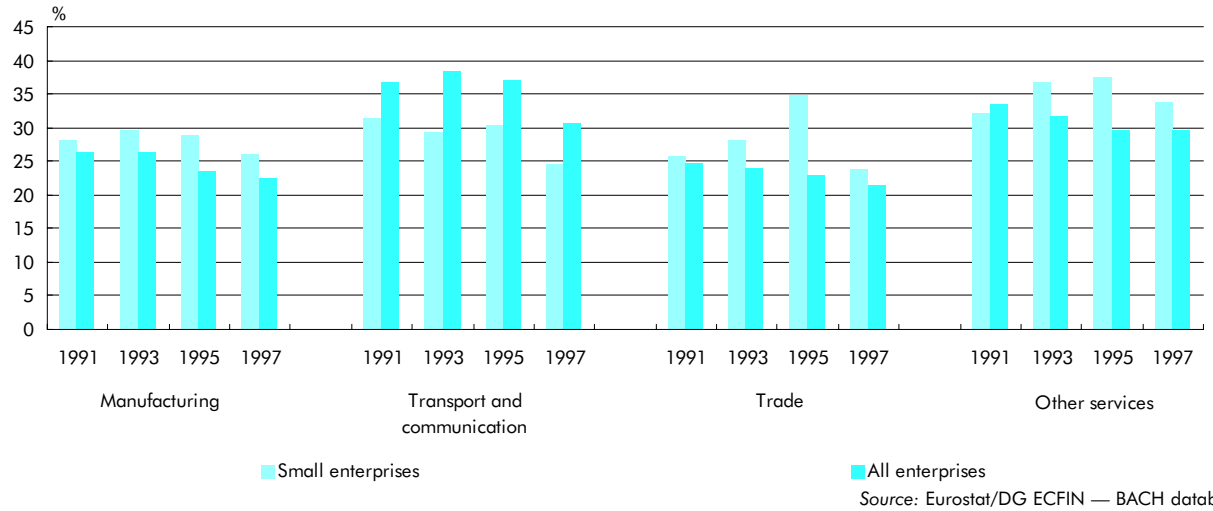
Figure 3, which examines the total debt ratio, shows a mixed picture. As expected, the total debt ratio seems to be generally larger for small enterprises, with transport and communication being the clear exception. There is also some evidence for the debt ratio being higher in transport and communication and in other services than in the other two sectors. In addition, there is nothing in Table 7 (p. 156) to suggest that, in general, enterprises in certain countries are significantly different in their reliance on debt, with the exception of Sweden in 1991.

When the total debt ratio is split in terms of its maturity, some evidence can be found to support the view that small and medium-sized enterprises rely more heavily on short-term debt. Table 8 (p. 157) shows that the short-term debt ratio is generally greater for small and medium-sized enterprises and that this is more pronounced in manufacturing. The higher level of the total debt ratio in transport and communication and in other services is not reflected in a higher short term ratio for these two sectors. Small enterprises in Italy generally show a pronounced reliance on short term relative to long term debt, whilst France is in most cases well below median.

The reliance of transport and communication enterprises on long term debt is shown in Table 9 (p. 158) and it is for this sector that there is the most marked difference in this ratio across the size classes. Large enterprises in this sector have much higher long term debt ratios in this sector for most countries in 1991. The other services sector, which also has generally high total and long term debt ratios, exhibits the opposite pattern with small enterprises showing generally higher long term debt ratios than the large enterprises. This is also shown to be the case for the distributive trades, but manufacturing shows no difference as a whole in its long term debt ratio across the size classes.

The only country with a consistently higher long term debt ratio across all the sectors is France which has much less reliance on short term debt. Belgium too has a generally higher long term debt ratio, but this is not reflected in a lower than median short term debt ratio in every sector, size class and year.

Total debt ratio — 1991-97
(all debt as a % of total assets) — Median values across countries
Fig. 3



Source: Eurostat/DG ECFIN — BACH database.

Tab. 7

Total debt ratio — 1991 and 1997 (all debt as a % of total assets)

	1991			1997		
	Small	Medium	Large	Small	Medium	Large
Manufacturing						
Belgium	23.0	25.0	30.8	28.7	28.0	30.0
Denmark	:	:	:	:	:	:
Germany	49.6	43.1	21.8	:	:	:
Spain	26.4	27.1	27.2	24.5	23.5	16.9
France	26.3	26.4	25.5	20.7	21.1	21.3
Italy	32.5	33.2	31.1	33.0	32.3	29.4
Netherlands	:	:	:	:	:	:
Austria	40.2	28.8	20.9	16.0	28.2	20.0
Portugal	29.7	29.1	23.1	27.5	28.5	24.4
Sweden	17.8	15.8	7.7	:	:	:
Median	28.0	28.0	24.3	26.0	28.1	22.9
Transport and communication						
Belgium	37.6	42.1	41.8	32.4	32.5	30.3
Denmark	:	:	:	:	:	:
Germany	:	:	:	:	:	:
Spain	22.2	24.6	42.5	24.6	10.8	31.5
France	30.9	25.1	46.0	24.7	20.6	56.7
Italy	32.1	26.4	34.1	33.2	27.3	12.6
Netherlands	:	:	:	:	:	:
Austria	36.5	32.1	24.4	12.5	48.8	25.0
Portugal	17.5	23.9	34.6	19.0	38.4	33.2
Sweden	:	:	:	:	:	:
Median	31.5	25.8	38.2	24.6	29.9	30.9
Trade						
	25.7	24.4	30.0	28.6	26.2	29.1
Denmark	:	:	:	:	:	:
Germany	50.0	40.7	46.0	:	:	:
Spain	22.8	26.0	17.5	23.8	22.2	17.0
France	24.4	24.4	25.1	19.4	20.4	22.4
Italy	35.4	34.0	31.9	35.1	32.8	31.7
Netherlands	:	:	:	:	:	:
Austria	42.4	25.0	18.7	14.6	26.4	25.3
Portugal	:	:	:	:	:	:
Sweden	3.0	11.5	9.6	:	:	:
Median	25.7	25.0	25.1	23.8	26.2	25.3
Other services						
Belgium	43.5	41.0	43.4	36.5	44.0	42.7
Denmark	:	:	:	:	:	:
Germany	:	:	:	:	:	:
Spain	21.5	30.2	36.7	26.7	20.4	38.9
France	50.5	34.3	26.5	38.0	23.7	28.5
Italy	43.1	27.7	31.4	33.7	28.6	17.9
Netherlands	:	:	:	:	:	:
Austria	18.0	31.9	25.6	3.5	16.5	6.5
Portugal	:	:	:	:	:	:
Sweden	8.9	16.6	13.1	:	:	:
Median	32.3	31.0	28.9	33.7	23.7	28.5

Source: Eurostat/DG ECFIN — BACH database.

Short term debt ratio — 1991 and 1997 (short term debt as a % of total assets)

Tab. 8

	1991			1997		
	Small	Medium	Large	Small	Medium	Large
Manufacturing						
Belgium	8.9	12.3	12.3	10.4	13.7	13.8
Denmark	:	:	:	:	:	:
Germany	31.4	29.1	16.2	:	:	:
Spain	17.7	19.0	15.2	14.5	15.5	10.2
France	6.7	8.7	5.9	4.4	6.1	4.9
Italy	21.5	21.8	19.6	22.7	22.3	18.9
Netherlands	:	:	:	:	:	:
Austria	25.6	17.7	11.5	16.0	16.7	11.1
Portugal	16.5	16.8	9.3	14.4	15.2	12.2
Sweden	17.8	15.8	7.7	:	:	:
Median	17.8	17.2	11.9	14.4	15.3	11.7
Transport and communication						
Belgium	10.7	8.7	12.3	12.2	11.7	5.6
Denmark	:	:	:	:	:	:
Germany	:	:	:	:	:	:
Spain	9.1	7.3	9.3	8.4	5.2	6.2
France	5.3	5.8	0.9	3.5	3.2	0.3
Italy	15.0	11.8	8.6	21.4	14.1	5.1
Netherlands	:	:	:	:	:	:
Austria	25.9	20.2	4.5	12.5	24.7	8.7
Portugal	10.0	10.1	9.4	6.6	5.2	3.8
Sweden	:	:	:	:	:	:
Median	10.3	9.4	9.0	10.3	8.4	5.4
Trade						
Belgium	11.3	15.4	18.4	11.7	15.5	19.0
Denmark	:	:	:	:	:	:
Germany	36.4	39.4	39.9	:	:	:
Spain	15.7	19.4	11.3	12.0	16.2	9.6
France	7.4	11.4	9.5	5.3	8.4	9.1
Italy	24.3	26.6	22.1	25.1	25.3	23.9
Netherlands	:	:	:	:	:	:
Austria	30.1	18.9	14.1	14.6	18.4	16.8
Portugal	:	:	:	:	:	:
Sweden	3.0	11.5	9.6	:	:	:
Median	15.7	18.9	14.1	12.0	16.2	16.8
Other services						
Belgium	17.6	21.4	30.1	19.9	15.6	29.7
Denmark	:	:	:	:	:	:
Germany	:	:	:	:	:	:
Spain	10.0	18.5	20.7	10.1	10.0	10.4
France	10.9	6.8	7.3	12.5	3.7	8.0
Italy	24.0	19.4	20.5	21.4	18.9	12.9
Netherlands	:	:	:	:	:	:
Austria	12.9	18.7	14.7	3.5	5.5	3.3
Portugal	:	:	:	:	:	:
Sweden	8.9	16.6	13.1	:	:	:
Median	11.9	18.6	17.6	12.5	10.0	10.4

Source: Eurostat/DG ECFIN — BACH database.

Tab. 9

Long term debt ratio — 1991 and 1997 (long term debt as a % of total assets)

	1991			1997		
	Small	Medium	Large	Small	Medium	Large
Manufacturing						
Belgium	14.1	12.8	18.6	18.3	14.3	16.2
Denmark	:	:	:	:	:	:
Germany	18.2	14.0	5.6	:	:	:
Spain	8.7	8.0	12.0	10.0	8.1	6.7
France	19.6	17.7	19.6	16.3	15.0	16.5
Italy	11.0	11.3	11.5	10.4	10.1	10.5
Netherlands	:	:	:	:	:	:
Austria	14.7	11.1	9.4	0.0	11.4	8.9
Portugal	13.2	12.4	13.8	13.1	13.3	12.2
Sweden	0.0	0.0	0.0	:	:	:
Median	13.7	11.8	11.7	11.7	12.4	11.4
Transport and communication						
Belgium	26.9	33.4	29.5	20.2	20.9	24.6
Denmark	:	:	:	:	:	:
Germany	:	:	:	:	:	:
Spain	13.1	17.3	33.2	16.2	5.6	25.3
France	25.6	19.4	45.0	21.2	17.4	56.4
Italy	17.1	14.7	25.5	11.9	13.2	7.5
Netherlands	:	:	:	:	:	:
Austria	10.5	12.0	19.8	0.0	24.1	16.3
Portugal	7.6	13.8	25.1	12.4	33.2	29.4
Sweden	:	:	:	:	:	:
Median	15.1	16.0	27.5	14.3	19.1	25.0
Trade						
Belgium	14.4	9.0	11.6	16.9	10.7	10.1
Denmark	:	:	:	:	:	:
Germany	13.6	9.4	6.1	:	:	:
Spain	7.1	6.6	6.2	11.8	6.0	7.4
France	17.0	13.1	15.6	14.1	12.0	13.2
Italy	11.1	7.4	9.7	10.0	7.6	7.7
Netherlands	:	:	:	:	:	:
Austria	12.4	6.1	4.6	0.0	8.1	8.5
Portugal	:	:	:	:	:	:
Sweden	0.0	0.0	0.0	:	:	:
Median	12.4	7.4	6.2	11.8	8.1	8.5
Other services						
Belgium	25.9	19.7	13.3	16.6	28.4	12.9
Denmark	:	:	:	:	:	:
Germany	:	:	:	:	:	:
Spain	11.5	11.7	16.0	16.6	10.4	28.6
France	39.6	27.5	19.2	25.4	20.0	20.5
Italy	19.0	8.3	10.8	12.3	9.7	5.0
Netherlands	:	:	:	:	:	:
Austria	5.1	13.2	10.9	0.0	11.0	3.2
Portugal	:	:	:	:	:	:
Sweden	0.0	0.0	0.0	:	:	:
Median	15.2	12.4	12.1	16.6	11.0	12.9

Source: Eurostat/DG ECFIN — BACH database.

Interest ratio — 1991 and 1997 (interest charges as a % of turnover)

Tab. 10

	1991			1997		
	Small	Medium	Large	Small	Medium	Large
Manufacturing						
Belgium	2.5	3.2	4.1	2.7	2.3	2.9
Denmark	3.9	3.2	2.9	2.5	1.9	1.7
Germany	2.3	2.5	2.3	:	:	:
Spain	4.4	4.4	4.0	2.5	2.2	1.9
France	2.4	2.4	2.8	1.3	1.3	2.9
Italy	5.0	4.4	3.8	3.3	3.0	2.8
Netherlands	:	2.6	2.8	1.4	1.8	2.0
Austria	3.8	2.5	2.3	0.0	1.4	1.3
Portugal	6.5	7.7	4.8	3.9	3.8	3.0
Sweden	10.0	8.4	4.3	:	:	:
Median	3.9	3.2	3.4	2.5	2.1	2.4
Transport and communication						
Belgium	2.6	3.1	7.3	2.7	2.1	5.4
Denmark	:	:	:	:	:	:
Germany	:	:	:	:	:	:
Spain	5.2	11.3	16.9	2.7	2.9	9.6
France	2.6	1.9	11.4	1.2	1.0	14.0
Italy	7.8	5.4	6.7	4.0	2.7	2.9
Netherlands	:	5.5	4.9	1.7	3.5	3.3
Austria	4.2	4.9	2.5	0.0	3.2	0.7
Portugal	2.7	4.5	11.7	2.8	5.2	6.3
Sweden	:	:	:	:	:	:
Median	3.5	4.9	7.3	2.7	2.9	5.4
Trade						
Belgium	2.1	2.6	2.2	2.7	2.1	2.1
Denmark	:	:	:	:	:	:
Germany	2.0	1.7	1.4	:	:	:
Spain	2.9	2.8	1.6	2.2	1.5	1.0
France	1.7	1.7	1.6	1.0	0.9	0.8
Italy	4.4	3.1	1.8	2.9	1.9	1.4
Netherlands	:	3.2	2.0	1.2	2.1	1.1
Austria	3.4	1.8	1.6	0.0	1.1	0.7
Portugal	:	:	:	:	:	:
Sweden	3.4	2.8	1.4	:	:	:
Median	2.9	2.7	1.6	1.7	1.7	1.0
Other services						
Belgium	27.0	12.1	4.7	56.9	12.0	5.3
Denmark	:	:	:	2.1	:	:
Germany	:	:	:	:	:	:
Spain	7.6	9.4	19.6	:	:	:
France	16.0	5.0	2.8	4.5	2.2	1.5
Italy	10.8	4.9	3.4	4.8	2.6	1.7
Netherlands	:	6.0	3.4	1.5	3.4	1.3
Austria	15.0	2.6	2.3	0.0	2.6	0.6
Portugal	:	:	:	:	:	:
Sweden	12.0	7.8	3.4	:	:	:
Median	13.5	6.0	3.4	3.3	2.6	1.5

Source: Eurostat/DG ECFIN — BACH database.

Tab. 11

Distribution ratio — 1991 and 1997
(profit or loss for the financial year as a % of value added)

	1991			1997		
	Small	Medium	Large	Small	Medium	Large
Manufacturing						
Belgium	2.0	1.4	4.5	5.4	6.9	19.5
Denmark	2.3	5.7	17.3	14.4	12.5	21.9
Germany	2.7	3.4	4.9	:	:	:
Spain	8.2	5.7	-2.3	10.6	14.8	8.0
France	4.1	6.0	6.8	5.0	6.1	10.8
Italy	-0.9	3.0	0.1	-2.9	4.3	5.0
Netherlands	:	14.4	25.0	12.0	13.2	58.0
Austria	3.2	8.4	11.3	6.0	8.0	11.3
Portugal	-2.3	3.2	13.5	1.8	8.0	14.8
Sweden	7.3	9.4	14.5	:	:	:
Median	2.7	5.7	9.0	5.7	8.0	13.1
Transport and communication						
Belgium	1.8	1.3	0.3	1.9	6.5	5.7
Denmark	:	:	:	:	:	:
Germany	:	:	:	:	:	:
Spain	4.3	2.9	5.3	9.3	1.8	9.5
France	2.5	4.0	0.0	3.6	3.4	2.0
Italy	-18.6	1.4	3.3	0.4	2.2	-9.9
Netherlands	:	31.4	7.5	8.4	12.1	14.8
Austria	0.7	0.5	3.1	8.3	-0.3	5.2
Portugal	1.7	-3.6	-6.0	0.3	-12.4	5.3
Sweden	:	:	:	:	:	:
Median	1.8	1.4	3.1	3.6	2.2	5.3
Trade						
Belgium	2.8	5.4	18.6	4.3	9.7	21.0
Denmark	:	:	:	:	:	:
Germany	4.0	6.8	6.2	:	:	:
Spain	10.1	10.6	11.4	13.3	16.7	17.3
France	4.4	6.7	10.5	6.3	8.1	13.4
Italy	0.4	4.6	10.5	0.0	5.2	9.5
Netherlands	:	13.9	18.8	15.0	17.5	29.5
Austria	3.7	11.5	13.0	6.1	5.9	3.8
Portugal	:	:	:	:	:	:
Sweden	8.6	10.6	10.6	:	:	:
Median	4.0	8.7	11.0	6.2	8.9	15.4
Other services						
Belgium	36.7	20.1	14.6	40.9	28.6	17.8
Denmark	:	:	:	41.0	:	:
Germany	:	:	:	:	:	:
Spain	17.2	6.4	-29.7	:	:	:
France	5.5	18.2	7.5	7.9	7.3	4.5
Italy	-3.3	-0.6	1.5	0.2	3.0	0.1
Netherlands	:	16.7	3.8	16.5	12.3	13.9
Austria	-9.6	5.2	3.9	-162.3	22.2	-13.1
Portugal	:	:	:	:	:	:
Sweden	7.5	2.0	13.0	:	:	:
Median	6.5	6.4	3.9	12.2	12.3	4.5

Source: Eurostat/DG ECFIN — BACH database.

CALLS ON INCOME

The interest charge on income has generally fallen, particularly for SMEs

This section examines two ratios. The first, in Table 10 (p. 159), examines interest payments as a percentage of turnover. This flow concept of gearing generally confirms the stock-based findings discussed above. It also shows that during the period 1991 to 1997 European enterprises have reduced their interest payments burden as profitability and growth have been restored and interest rates have generally fallen. The second, Table 11, examines the funds available for distribution to shareholders or for investment as a percentage of value added. This ratio is extremely variable across countries, but does show, with the exception of the transport and communication and other services sectors, that small enterprises have a generally lower proportion of their value added available for future investment or for distribution to shareholders. This difference is sometimes large in the cases of trade and manufacturing. This is explored further below for the manufacturing sector.

SOURCES AND APPLICATIONS OF FUNDS

Small enterprises generally have higher working capital needs and rely more heavily on debt finance, but the sources of finance vary in importance across the countries

The availability of data for common samples of enterprises within countries for the years 1996 and 1997 allows the calculation of variables which measure the sources and uses of funds. These are presented in Table 12 for manufacturing alone for the six countries for which the data were available. It should be noted that since these variables are calculated only for a single year, they may not be representative of the whole of the 1990s.

Businesses raise finance both to provide short-term working capital and for their capital expenditure. The working capital needs ratio measures the proportion of finance which is used for working capital needs as opposed to fixed assets investment. The important picture which emerges is that enterprises generally require approximately as much finance for working capital as for their capital investment needs.

Sources and applications of funds
Manufacturing — 1996-97 ([1])
Tab. 12

	Small	Medium	Large	All
		Working capital needs (%)		
Germany	:	:	:	54.6
Spain	58.7	57.7	36.8	44.1
France	69.9	61.5	42.5	46.1
Italy	(12.7)	64.3	61.4	60.6
Austria	:	43.4	53.5	:
Portugal	47.7	(25.4)	25.5	23.7
Median	53.2	57.7	42.5	46.1
		Internal funds ratio (%)		
Germany	:	:	:	31.7
Spain	67.2	77.1	133.9	112.9
France	60.6	61.6	85.9	81.4
Italy	(23.6)	24.7	27.4	25.4
Austria	:	72.5	50.0	:
Portugal	21.2	37.0	52.2	39.5
Median	40.9	61.6	52.2	39.5
		New equity ratio (%)		
Germany	:	:	:	35.2
Spain	7.3	(0.3)	39.4	26.6
France	30.3	26.1	15.1	16.7
Italy	25.2	16.2	20.2	19.3
Austria	:	4.0	21.3	:
Portugal	32.8	6.2	1.7	11.6
Median	27.8	6.2	20.2	19.3
		New debt ratio (%)		
Germany	:	:	:	33.1
Spain	25.5	23.2	(73.3)	(39.5)
France	9.1	12.2	(1.0)	1.9
Italy	98.4	59.2	52.4	55.3
Austria	:	23.5	28.7	:
Germany	46.0	56.8	46.2	48.8
Median	35.8	23.5	28.7	33.1

([1]) Sliding samples on 1996-97.
NB: See methodology box for ratios definitions at the end of this chapter, pp. 166-168.

Source: Eurostat/DG ECFIN — BACH database.

However, the generally lower ratio for large enterprises shows that they are able to apply a generally higher proportion of funds to their capital expenditure than can smaller enterprises.

The other parts of this table examine the proportion of funds raised which come from: retained profits, newly raised equity, and new debt finance. The most significant source of funds is generally from retained earnings and this source is more significant for large enterprises, where it is generally over 50 %. However, the profitability problems of Italian enterprises are again apparent, particularly for small enterprises where there were negative retained earnings on average this year. Newly raised equity tends to be a relatively more important source of finance for small enterprises, but this is not the case for all countries. The net increase in debt finance is sometimes more important than equity finance and is generally greater for small enterprises and for those less able to draw on internal finance.

UNITED KINGDOM: THE CBR SAMPLE

The BACH database does not contain information for the United Kingdom so we draw upon the 1991 and 1997 surveys carried out by the CBR at Cambridge University ([1]).

The 1991 survey took place in the middle of an economic downturn. Inflation was falling, and GDP was falling after several years of expansion. Unemployment was rising after several years of buoyant labour market conditions, and although interest rates were falling they remained at over 10 %. In contrast the 1997 survey took place in more stable macroeconomic conditions with lower, if rising, interest rates, growing GDP, and falling inflation and unemployment.

One might expect therefore to find, in relation with these macroeconomic conditions, firms less likely to emphasise the cost of finance, or market demand, as constraints upon growth in the more recent survey; and to be more positive about their growth prospects, or desire to raise funds for expansion. On the other hand the impact of the recession of the early 1990s might be expected to have an impact on the business psychology of micro firms in particular. This must be borne in mind in interpreting the comparisons which follow.

UK SMEs improve their profit margins in the 1990s, particularly the micro firms.

Table 13 shows the profit margins for micro (less than 10 employees), small (10-99 employees) and medium-sized enterprises (100-499 employees). These groups would mainly fall within the small enterprises category analysed on European level. It has been noted above that the European data analysed under-represent micro firms, so the finer classification of small enterprises by the CBR is useful.

The findings are broadly in line with those reported earlier in this chapter, but Table 13 reveals that the micro firms are doing much better in the later period in terms of profitability. Their profit margins have significantly increased in all our sub-categories, particularly in services where our sample firms are significantly more profitable than manufacturing micro firms, which is consistent with the findings for other European countries reported above. Small firms in the UK also show a significant, though much less dramatic, rise in profitability in 1997 compared with 1991. Again, higher profitability is found amongst service firms. The higher margins of service firms is also shown for the medium size group, but this group shows no improvement in profitability between our two surveys.

UK SMEs have become more successful at raising external finance in the 1990s, but micro-enterprises remain less likely to seek it

One of the most contentious areas of debate surrounding SMEs has been concerned with possible problems in the demand and supply of finance. Figure 4 compares the percentage of firms seeking finance in various sub-periods in the past decade. It makes use of data not only from the CBR surveys of 1991 and 1997, but also from those of 1993 and 1995. In interpreting this figure it must be borne in mind that the sub-periods covered are of varying length so that it is *relative* trends between the micro, small and medium size group that are of most direct significance.

([1]) See the methodological box at the end of this chapter, pp. 166-168.

Profit margin of UK SMEs — 1991 and 1997 (gross pre-tax operating profit as a % of turnover) — Median values

Tab. 13

	Employment size					
	Micro		Small		Medium	
	1991	1997	1991	1997	1991	1997
Manufacturing ([1])	8.5 **	14.8 **	6.8 **	8.0 **	5.3 **	5.8 **
Business services ([1])	10.0 **	24.4	7.2 **	11.4	9.5	8.2
Older ([2])	10.0 **	18.3	7.1 **	9.0 *	6.7	7.0
Newer ([2])	9.1 **	19.7	6.7 **	7.9	7.0	7.4
All	9.1 **	19.1	7.0 **	8.6	6.8	7.0

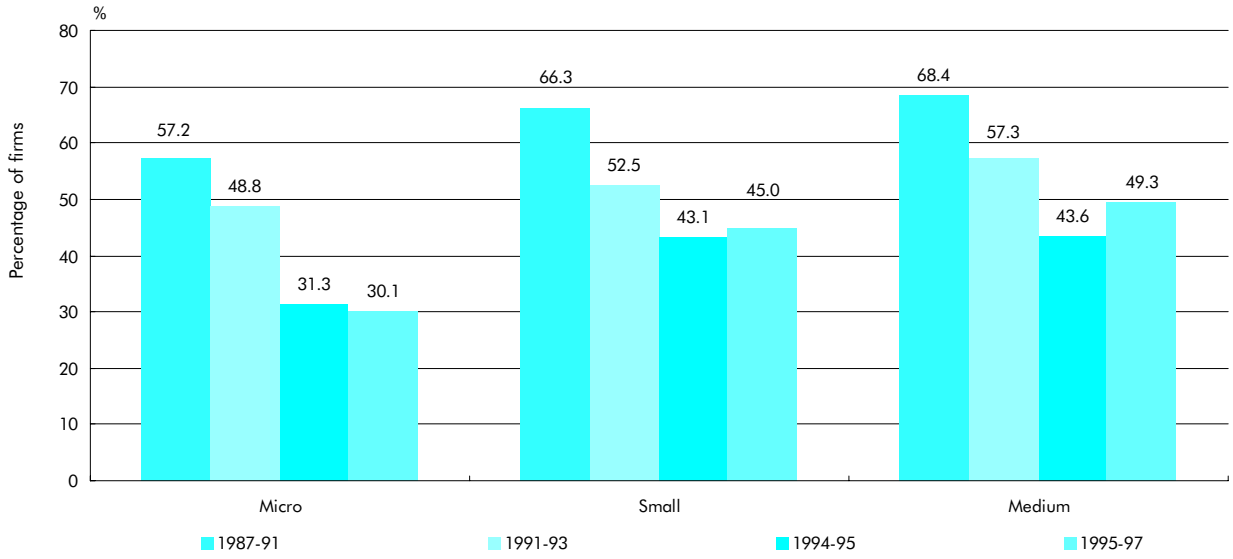
([1]) In this table, manufacturing corresponds to NACE Rev. 1 codes 14 to 36;
Business services to NACE Rev. 1 codes 64.1, 64.2, 72.2 to 72.6, 73, 74.12 to 74.15, 74.2 to 74.5 and 74.8.
([2]) Newer means formed within the last ten years from the date of the survey and older means formed at least ten years ago.

NB: Asterisks between columns indicate a significant difference between years shown in adjacent columns.
Asterisks between rows indicate a significant difference between relevant categories of firms in a given year:
* = significant at 10 % or better,
** = significant at 5 % or better
using the Chi Square test or Kruskall Wallis test as appropriate.

Source: CBR database.

Proportions of UK firms seeking finance — 1987-97

Fig. 4



Source: CBR database.

Tab. 14

Sources of finance of UK SMEs and their failure rates ([1]) (%) — 1991-97

	Failure rate (in %)		
	1991-93	1994-95	1995-97
Banks	17.1	14.6	16.5
Venture capital	54.3	55.9	45.5
HP/leasing ([2])	2.5	3.1	4.8
Factoring	31.9	25.0	19.0
Trade customers	7.0	15.4	9.3
Partners/shareholders	12.3	10.0	8.3
Other private individuals	31.0	32.0	22.7
Other sources	13.6	19.0	18.3
All approaches	15.8	13.9	12.3

([1]) Failure rate is the % of the firms which approached this source of finance which were rejected and received no financial support from this source.
([2]) Hire purchase or leasing finance.

Source: CBR database.

Tab. 15

Sources of finance of UK SMEs (%)

	Employment size					
	Micro		Small		Medium	
	1987-91	1995-97	1987-91	1995-97	1987-91	1995-97
Banks	59.5 *	51.6	59.0 **	42.7	63.5 **	52.0
Venture capital	1.3	2.6	3.2	2.9	4.3	5.8
HP/leasing ([1])	14.0	21.1	18.1 **	30.7	12.5 **	28.4
Factoring	2.0	2.9	4.5 **	8.5	3.0	4.8
Customers/suppliers	2.6 **	1.4	2.0 **	1.7	2.5 **	0.5
Working shareholders	12.5 **	7.4	6.7	6.1	5.9 *	4.1
Private individuals	3.1	8.0	1.6	3.1	0.6	1.2
Other sources	4.9	5.0	4.9	4.3	7.7 **	3.2
All sources	100.0	100.0	100.0	100.0	100.0	100.0

([1]) Hire purchase or leasing finance.

NB: Asterisks between columns indicate a significant difference between years shown in adjacent columns:
* = significant at 10 % or better,
** = significant at 5 % or better
using the Chi Square test, or Kruskall Wallis test as appropriate.

Source: CBR database.

In each of the four sub-periods the micro firms were least likely to seek finance. It was also the case that a somewhat smaller proportion of them sought finance in 1995-97 than in 1994-95, whereas the proportion seeking finance in the small and medium size groups rose in the latter period compared to the earlier one. The nature of the data collected in 1991 does not allow a direct comparison of the period 1987-91 with that of 1995-97 in terms of the sources of finance approached and the pattern of failure to achieve everything that was sought. Table 14 however uses data from the 1993 and 1995 surveys. It shows that, in general, failure to obtain any funding at all was less frequent in 1995-97 than in either of the other two periods analysed. The highest failure rates in each period were in approaches to venture capital followed by other individuals and factoring. The lower failure rates in the latest period are quite consistent with the lower absolute proportions of firms reporting financial constraints shown in the 1995-97 period in the last section.

The importance of bank finance of UK SMEs has declined as they have diversified their sources of financial support

Table 15 sets out the breakdown of finance received by size group and type of finance. For each size group banks have declined in significance as a source, especially in the case of small and medium firms. The change is significant in each size class and biggest in absolute terms in the manufacturing micro and small groups where it has fallen by almost twenty percentage points from 63.4 to 45.1 %, and from 60.3 to 41.8 % respectively. For services the decline was significant only for the small size group, and in all size classes was much less substantial than in manufacturing. It is in manufacturing therefore that the role of banks is most diminished. It has also fallen significantly amongst older firms in the small and medium size classes and amongst newer firms in the micro and small groups. The counterpart to this is an increase in the importance of HP/leasing (asset-based) finance and of (sales-based) factoring, the former, in particular, often provided by subsidiaries of the banks. Direct trade-based finance has declined in importance too for all size classes along with funds from working shareholders. Private individuals have increased in importance, especially for the micro group, but these differences are not significant.

Taken as a whole the comparisons of financing patterns suggest that financial market constraints have in general been lower in more recent periods in the UK, and that there has been a significant shift away from direct bank finance, in particular amongst older and manufacturing firms.

CONCLUSION

This chapter has reviewed the finance and profitability of SMEs in the 1990s in comparison with larger companies. It showed the importance of carrying out such an analysis by distinguishing different size classes since their performance varies across countries and sectors and over time. It also reveals that there are important differences within the SME sector according to the size of enterprise.

The findings also suggest that, whilst the SMEs remain more dependent on short-term finance than larger enterprises, they are developing more diversified sources of finance. On the other hand, the management of working capital appears to remain an important constraint on their development.

METHODOLOGY

Sources

The main information source for this analysis is the BACH database (Section DNS4SE) containing harmonised annual accounts statistics for a number of European countries. The database is managed by the Directorate General for Economic and Financial Affairs (DG ECFIN). The BACH data are in a structured form providing aggregate information in value terms for total assets and turnover. The components of the balance sheet and the profit and loss account on the database are expressed as a percentage of total assets and turnover respectively.

In addition there is a further database in BACH (BACH1-3) which uses a common sample of enterprises for adjacent years. This permits a comparison of annual changes in certain ratios which are unaffected by sample changes. In this chapter we use this information to calculate some flow of funds variables, but these are available for only a limited group of countries.

Furthermore, a specific database elaborated by the CBR is used to examine the situation in the United Kingdom (see p. 168).

The BACH database — Country coverage

Although data are provided in the BACH database for 11 European countries, the lack of consistent data over the period covered led to the decision to exclude Finland — Data are thus available for Belgium, Denmark, Germany, Spain, France, Italy, the Netherlands, Austria, Portugal and Sweden.

The median value of the ratios for these ten countries is also provided in the tables. This enables us to compare individual countries with it.

The BACH database — Sectoral coverage

Four specific sectoral groupings are covered in this analysis which are defined in the BACH database as follows:

- Manufacturing: NACE Rev. 1 codes 13 to 36, except 23;
- Transport and communication: NACE Rev. 1 codes 60 to 64;
- Trade: NACE Rev. 1 codes 50 to 55 except 50.2 and 52.7;
- Other services: NACE Rev. 1 codes 67 to 95, plus 50.2 and 52.7
  (this aggregate differs from that in other parts of the publication).

The BACH database — Size classes definition

The size classes in the BACH database are defined as follows:

- Small enterprises: turnover of less than ECU 7 million;
- Medium-sized enterprises: turnover comprised between ECU 7 and 40 million;
- Large enterprises: turnover of at least ECU 40 million.

The BACH database — Variables definitions

The chapter examines changes in a variety of accounting measures of profitability, value added, capital structure and working capital. These measures are defined below and next page.

- Profitability
  — Profit margin (%): gross pre-tax operating profit as a % of turnover;
  — Profit rate (%): net pre-tax operating profit as a % of total assets.

METHODOLOGY (cont.)

The BACH database — Variables definitions (cont.)

- Value added and working capital
  - — Value added ratio (%): value added BACH as a % of turnover;
  - — Staff costs ratio (%): staff costs as a % of value added;
  - — Working capital ratio (%): stocks plus trade debtors minus trade creditors as a % of turnover.

- Capital Structure
  - — Equity ratio (%): share capital and reserves as a % of total assets;
  - — Short debt ratio (%): short-term debt as a % of total assets;
  - — Long debt ratio (%): long-term debt as a % of total assets;
  - — Total debt ratio (%): all debt as a % of total assets.

- Calls on Income
  - — Interest ratio (%): interest charges as a % of turnover;
  - — Distribution ratio (%): profit or loss for the financial year as a % of value added.

- Flow of Funds
  - — Internal funds ratio (%): retained profits as a % of total funds;
  - — New equity ratio (%): newly raised equity as a % of total funds;
  - — New debt ratio (%): new debt as a % of total funds;
  - — Working capital needs (%): change in working capital requirements as a % of working capital and fixed asset requirements.

Main definitions of financial variables are according to the 4th Council Directive on annual accounts of companies (78/660/EEC). The main definitions used are as follows:

- Gross operating profit = value added BACH minus staff costs;
- Value added BACH = total operating income (i.e. net turnover + variations in stocks of finished goods and work in progress + capitalised production + other operating income) less costs of materials and consumables and other operating charges;
- Net operating profit = gross operating profit minus depreciation on tangible and intangible assets and other value adjustments and provisions;
- Staff costs = wages and salaries plus social security costs;
- Trade debtors = credits accruing from sales of goods and services;
- Trade creditors = debts accruing from the purchase of goods and services;
- Share capital = subscribed capital plus share premium account;
- Reserves = the total of all kinds (legal, statutory, contractual and other) reserves;
- Short-term debt = amounts owed to credit institutions and other financial creditors becoming due and payable within one year;
- Long-term debt = debenture loans plus amounts owed to credit institutions and other financial creditors becoming due and payable after more than one year;
- Retained profits = reserves plus profit or loss brought forward plus profit or loss for the financial year;
- Newly raised equity = change in share capital between two consecutive years;
- New debt = change in total debt between two consecutive years;
- Total funds = retained profits plus newly raised equity and new debt;
- Working capital requirements = current assets plus prepayments and accrued income plus creditors amounts becoming due and payable within one year minus short-term debt.

METHODOLOGY (cont.)

The BACH database — Data limitations

Some important limitations of the BACH data should be noted. First, since the data are aggregated they represent unweighted averages for the relevant sample. Second, although the dataset has been harmonised, it is impossible to remove all the variations caused by differences in accounting treatments, both within and between countries. Third, owing to differences in reporting requirements, the small enterprise sample is likely to under-represent the population of very small enterprises, a point we return to at the end of the chapter.

The CBR database

The BACH database no longer contains data for the United Kingdom. It also cannot provide information about the success of enterprises in their fund-raising. Since this is a topic of considerable importance for SMEs, the last section of the chapter draws upon the findings of the CBR database at Cambridge University to provide some results for the United Kingdom. This database contains the results of two surveys carried out in 1991 and 1997. Both surveys were restricted to independent businesses in the manufacturing and business service sectors, employing less than 500 employees in 1991 and 1997 respectively.

These enterprises are regrouped in three size classes:

- micro (less than 10 employees),
- small (10 to 99 employees) and
- medium (100 to 499 employees).

Each sample was size stratified to include a higher proportion of businesses in the 10-500 range than the population of SMEs as a whole. The 1997 sample design was however weighted more toward manufacturing than that of 1991 in order to increase the possibility of usable sample sizes within high-tech manufacturing sectors. This increase was achieved by boosting the overall achieved sample size from just over 2000 in 1991 to over 2500 in 1997. The samples are independently drawn and there is no overlap in membership between the two.

In Tables 13 and 15:

- asterisks between columns indicate a significant difference between years shown in adjacent columns and
- asterisks between rows indicate a significant difference between relevant categories of firms in a given year,
- with '**' meaning significant at 5 % or better and '*' meaning significant at 10 % or better using a Chi Square test or Kruskall Wallis test as appropriate. This means that figures separated by '**' reveal the existence of real differences in the whole populations concerned with a probability of 95 % or more, figures separated by '*' reveal the existence of real differences in the whole populations concerned with a probability of 90 % or more.

The process of enlarging the EU is a complex one. To the candidate countries, accession promises very substantial benefits. But they need to prepare for accession, both on the political front as well as on the economic front; the required preparatory aspects have been outlined in the Copenhagen accession criteria (see box, pp. 172-173). Unprepared accession, before developing the capability to cope with the competitive pressures within the Union can be disastrous for the economies of candidates.

A pre-condition is a functioning market economy. The main elements of the required policy framework encompass: macroeconomic policy dedicated to stability, appropriate trade and competition policy, and a development policy for human and physical capital resources, as well as infrastructure. Having a policy framework in place is necessary, but by no means sufficient. The difficult part of the preparation is to ensure that the enterprise sectors in candidate countries have developed the technical and organisational competence to survive and grow in the EU market.

In brief ...

- Enterprise survival rate in candidate CECs was low: only 69 % of the 1995 sample of enterprises remained active in 1997.
- There was a relative decline of the small enterprise sector in CECs between 1995 and 1997. Average employment size of enterprises fell sharply in that period, from 8 persons to 5 persons. Among surviving enterprises, average employment size stayed steady at 10.
- From the perspective of growth, a significant proportion of enterprises suffered setbacks. There was significant enterprise 'mobility' of a regressive type in the 1995-97 period among Central European enterprises that survived over that period:
  - A high proportion of enterprises switched out of their sector of activity between 1995 and 1997: 19 % in manufacturing enterprises, 17 % in construction, 15 % in distributive trade and 19 % in hotels, restaurants and catering;
  - 66 % of enterprises with multiple activities (these constituted 24 % of the 1995 sample) reverted to focus on single activities by 1997;
  - 66 % of enterprises with more than one local unit (these constituted 7 % of the sample in 1995) shed units and became single local unit enterprises by 1997.
  - 26 % of firms operating from independent premises (these constituted 44 % of the 1995 sample) reverted to operating from managers homes in 1997.
- Over the 1995-97 period, some critical problems were reported by an increased proportion of enterprises.
  - On the supply side: access to credit (5 % more in 1997 than the 33 % of the 1995 sample) and lack of technology (4 % more in 1997 than the 11 % in 1995).
  - On the demand side, excessive competition (up by 8 % from 53 % in 1995), shortage of funds with clients (up by 5 % over the 66 % in 1995).
- Enterprises were not optimistic about future growth in 1997. Only 16 % of enterprises expected employment to increase; 6 % expected their employment to decline.

4

CANDIDATE COUNTRIES FROM CENTRAL EUROPE
SMEs are facing multiple difficulties

In the case of candidate countries from Central Europe, it is all the more important to monitor progress in meeting membership criteria. There are five Central European Countries (CECs) in the 'Luxembourg group' of candidates for EU accession ([1]): the Czech Republic, Estonia, Hungary, Poland and Slovenia. Cyprus is also a Luxembourg group candidate. Another five CECs are in the 'Helsinki group': Bulgaria, Latvia, Lithuania, Romania and Slovakia. This report focuses on these 10 CECs divided in two groups according to the process of negotiation. Because of the lack of available data, it does not cover other candidate countries (Cyprus and Malta) or other countries covered by the Phare Program (Albania, etc.). Bulgaria, which underwent major changes in the business register within the period is excluded from the analysis.

The ten year history of CECs in transforming themselves into market economies is not a long period from the point of view of developing the market, financial, social and political institutions and regulations of a functioning market system. Consequently, the administrative, legal, fiscal, financial and informational problems that SMEs face in the CECs are likely to be more severe than those faced by SMEs in the EU.

It is therefore particularly important to examine the performance of SMEs in candidate CECs, and to support them where required. SMEs are the emerging private base for private sector-led growth in CECs. If they succumb to fierce competitive pressures, the entire seedbed of private enterprise as well as the basis of growth in CECs will be compromised.

There is no unique method to assess the competitive ability of enterprise sectors of candidate countries, but some aspects clearly require analysis in any assessment of the readiness of enterprises for accession. In the course of transition, as policy structures designed to develop the market system are put into place, market forces filter through into the economic system, and enterprises are forced to adapt in response.

Techniques of production, strategies of competition, and management techniques change. For enterprises in candidate countries, desirable benchmarks on all these fronts will be best practises in the EU. An expected corollary of the adaptation process is that the size structures in candidate countries should begin to evolve towards that found in the EU.

Market failures of various types can hamper this evolutionary process. A particularly important symptom of this might be the 'missing middle' which will arise if small enterprises face barriers or disincentives to grow. This can be due to market failures that might arise particularly in transition.

One failure that hits SMEs harder than larger enterprises is the failure of credit markets. Financing agencies tend to ration credit for SMEs since they are unable to get the access and process the information to assess their genuine credit worthiness.

A second class of market failures that reduce the competitiveness of SMEs arise from the fixed costs of acquiring various types of information, or developing necessary competencies. Some examples are: the fixed costs of setting up a market intelligence system, particularly about export markets; fixed costs of monitoring information on new technologies and organisational methods; fixed costs of providing labour training, when labour is mobile; fixed costs of complying with government regulations.

These tend to raise unit costs of SMEs much more than that of larger enterprises, and as a result, SMEs face both barriers and disincentives to develop competitive positions. Appropriate SME policies are particularly urgent in candidate CECs due to the greater likelihood of market failures of the above types in the early years of transition.

The second type of difficulty in the evolution of the market system lies in that the process may be marked by a great deal of turbulence. During the early years of transition, enterprises face business environments that are changing rapidly along many dimensions; apart from macroeconomic conditions, there may

([1]) See the box 'The Accession negotiations and the two groups of countries', p. 173.

be dramatic changes in financial markets, in the labour market, as well as in product markets, driven particularly by changes in import policies. While some of these 'shocks' may be opportunities, some of them are bound to be negative from the perspective of the enterprise.

During early transition there is likely to be a greater degree of idiosyncrasy in the forces impacting enterprises, and their adjustment. The result will be a great deal of turbulence in the evolutionary process, with some enterprises growing and developing positively, while others contract and shift negatively.

So net changes between dates do not tell the whole story about preparation for accession; there may not be a great deal of net change. Is mobility excessive relative to the net change? What proportions of enterprises are 'progressing', and by how much, relative to those 'regressing'? If a few of the former counterbalance many of the latter, the implications for accession preparedness is adverse. It is therefore necessary to assess the degree of turbulence or general mobility in the evolutionary process.

In this chapter, we examine evidence on the survival and growth of enterprises. We conside survival rates, stability in sector of activity, growth, both in terms of size, and in terms of distinct activities and separate local units as well as the changing size structures. To the extent possible, we compare net changes with gross changes to get a sense of the degree of turbulence. We examine evidence of enterprise growth barriers from the demand side and supply side. This enables us to come to some judgement of the preparedness of the enterprise populations of candidate countries for accession.

Reports of enterprises on what they expected the future to hold for their employment growth, and on barriers they faced in growth, both from the supply and the demand side are also examined. Cross sectional comparisons of the two years are augmented by examining the mobility of enterprises belonging to the panel of survivors, from the 1995 cross sectional distribution to the 1997 one. The report compares the performance of enterprises belonging to the Luxembourg group of accession countries to those belonging to the Helsinki group as defined above.

The evidence presented in this chapter comes from an enterprise survey program ([1]) co-ordinated by Eurostat and carried out during 1995 and 1997 by the statistical agencies of 11 participating Phare countries: Albania, Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia.

([1]) See methodology box at the end of this chapter, p. 188.

THE COPENHAGEN ACCESSION CRITERIA

In 1993, at the Copenhagen European Council, the Member States took a decisive step towards the current enlargement, agreeing that 'the associated countries in central and eastern Europe that so desire shall become members of the European Union'.

At the same time, the Member States designed the membership criteria, which are often referred to as the Copenhagen Criteria. As stated in Copenhagen, membership requires that the candidate country:

- has achieved:
  - stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities;
  - the existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union;
  - the ability to take on the obligations of membership including adherence to the aims of political, economic and monetary union.

- has created:
  - the conditions for its integration through the adjustment of its administrative structures, so that European Community legislation transposed into national legislation is implemented effectively through appropriate administrative and judicial structures.

There are thus two main economic criteria for the accession of the candidate countries.

The first one, i.e. the existence of a functioning market economy, requires a number of conditions, namely that:

- equilibrium between demand and supply is established by the free interplay of market forces; prices, as well as trade, are liberalised;
- significant barriers to market entry (establishment of new firms) and exit (bankruptcies) are absent;
- the legal system, including the regulation of property rights, is in place; laws and contracts can be enforced;
- macroeconomic stability has been achieved including adequate price stability and sustainable public finances and external accounts;
- there exists a broad consensus about the essentials of economic policy;
- the financial sector is sufficiently well-developed to channel savings towards productive investment.

THE COPENHAGEN ACCESSION CRITERIA (cont.)

The completion of the second criterion, i.e. the capacity to cope with competitive pressure and market forces within the Union, is assessed through the consideration of the following elements:

- the existence of a functioning market economy, with a sufficient degree of macroeconomic stability for economic agents to make decisions in a climate of stability and predictability;
- a sufficient amount, at an appropriate cost, of human and physical capital, including infrastructure (energy supply, telecommunication, transport, etc.), education and research, and future developments in this field;
- the extent to which government policy and legislation influence competitiveness through trade policy, competition policy, state aids, support for SMEs, etc.;
- the degree and the pace of trade integration a country achieves with the Union before enlargement. This applies both to the volume and the nature of goods already traded with member states;
- the proportion of small firms, partly because small firms tend to benefit more from improved market access, and partly because a dominance of large firms could indicate a greater reluctance to adjust.

Source: *For a stronger and wider Union — Agenda 2000*, Vol. I, Part II, Communication of the Commission, Strasbourg, 15 July 1997, doc. 97/6.

THE ACCESSION NEGOTIATIONS AND THE TWO GROUPS OF COUNTRIES

In December 1997 the Luxembourg European Council endorsed the Commission's recommendations leading on 31 March 1998 to the formal opening of Accession negotiations with five central European countries and Cyprus. In the Commission's views, the other candidate countries needed to make further progress especially with economic reform and adoption and implementation of EU laws and rules before entering negotiations. Nevertheless, these countries were fully involved in the broader accession process, including the screening exercise and the preaccession strategy. Afterwards, the Helsinki European Council of December 1999 decided to open accession negotiations with these five Central European Countries and Malta.

The six countries with which negotiations have been opened on 31 March 1998 ('Luxembourg group countries') are the following: Cyprus, the Czech Republic, Estonia, Hungary, Poland and Slovenia.

The five other central European countries with which negotiations have been opened in February 2000 together with Malta ('Helsinki group countries') are: Bulgaria, Latvia, Lithuania, Romania and Slovakia.

After Helsinki European Council, Turkey is also considered as a candidate country though negociations have not started yet. Accession negociations have today well progressed with all these countries. It should be noted, in particular, concerning the Chapter 16, dealing with SMEs, that the negociations on the '*acquis communautaire*' are provisionally closed with all the countries.

Sources: *Luxembourg European Council 12-13 Dec. 1997 — Presidency conclusions*, doc. SN 400/97; *Helsinki European Council 10-11 Dec. 1999 — Presidency conclusions*, doc. SN 300/99.

MANY SMALL ENTERPRISES HAVE REGRESSED TO ENTERPRISES WITH NO EMPLOYEES

Studies of SMEs often are limited, for the want of data, to the comparison of the size distribution at one point in time with the size distribution at a later date. This method misses out an obvious and critical dimension of SME performance. The size distribution at one date evolves into that at a later date through a process that involves exit by some incumbents, entry by new enterprises, as well as upwards and downward changes in sizes of surviving enterprises. These changes could collectively, be termed 'mobility'. It is quite possible that in net terms, the size distribution does not change very much, but the net change may mask a high degree of 'mobility'. If the business environment is turbulent, one may expect the degree of such churning to be high, and this is an important indicator of SME performance.

Across the candidate CECs, the 'average' size distribution did not change significantly between 1995 and 1997. Enterprises with no employees constituted 57 % of the sample in 1995, and 58 % in 1997. Small enterprises constituted 41 % in 1995 and 40 % in 1997. Large enterprises stayed steady at 2 %.

The stability of the 'average' size structure across candidate CECs is misleading in at least two respects. In the first place, it does not hold true for the countries in the Luxembourg group. There was a definite shift back to enterprises with no employees in the case of the Luxembourg group countries: the average share of enterprises with no employees went up from 57 % in 1995 to 62 % in 1997. This was at the expense of small enterprises whose share dropped from 41 to 36 %. The starkest example was Hungary, where the proportion of enterprises with no employees rose from 60 to 76 % and the proportion of small enterprises fell from 39 to 23 % (Table 1).

The pattern holds true when employment shares are examined. Hungarian small enterprises lost in terms of employment share; this was to the advantage of large enterprises. Slovenia followed a similar pattern to Hungary in terms of the numbers share of small enterprises, but in terms of employment share, the loss of small enterprises was the gain of enterprises with no employees. In contrast, in Poland the proportions did not budge (Table 2).

The relatively small changes in cross sectional size structures in most countries are further belied by evidence of considerable enterprise 'mobility' through the 1995-97 period. It is worth examining this intra-distributional enterprise mobility in detail, using information on the panel set of enterprises followed up from 1995 to 1997 ([1]). In the case of Hungary, 60 % of the 1995 enterprises were enterprises with no employees. By 1997, 11 % of the 1995 enterprises with no employees had grown to have salaried employees. But over the same period there was considerable reversion from the class of small enterprises. Small enterprises constituted 39 % of the sample of 1995 enterprises; by 1997, a substantial 53 % of these 1995 small enterprises had dropped back to become enterprises with no employees. The class of large enterprises, with 50 or more salaried employees, comprised 1 % of the 1995 sample; of these, 23 % dropped back to become small enterprises, though none dropped back to become enterprises with no employees.

Estonia apart, the other Luxembourg group countries are characterised by a downward mobility from small to no employees, as in the case of Hungary. The proportion of 1995 small enterprises reverting to enterprises with no employees in 1997 was 31 % in the case of Slovenia, 18 % in the case of the Czech Republic, 17 % in the case of Poland, but only 8 % in the case of Estonia. Estonia was the country marked the most by growth of enterprises. 61 % of the 1995 no employees enterprise category grew to become small enterprises by 1997.

The Helsinki group countries showed less evidence of downward mobility of small enterprises. The poorest performer in this regard in the Helsinki group was Slovakia, which had 22 % of small enterprises reverting to become enterprises with no employees, while 15 % of enterprises with no employees grew out to become small enterprises (Table 3).

The main conclusion to be drawn from this evidence is a relative decline of the small enterprise sector. The pronounced reversion of small enterprises to enterprises with no employees may reflect an environment in which small enterprises face not merely barriers or disincentives to grow, but serious demand side and supply side problems causing them to lose size. It is important to examine the roles played by growth barriers of different types, and to build in the proper types of assistance in SME policy.

([1]) The following figures are taken from *Development of Enterprises in Central European Countries — 1995-97*, Eurostat Theme 4, Studies and Research series, 1999.

Distribution of active enterprises by size class — 1995 and 1997 (as a % of all enterprises surveyed)

Tab. 1

Country	Enterprises with no employees		Small enterprises	
	1995	1997	1995	1997
Czech Republic	72.9	72.7	25.7	26.2
Estonia	27.0	23.5	69.3	71.9
Hungary	60.3	75.9	38.7	23.1
Poland	60.5	59.9	37.9	38.6
Slovenia	47.4	55.1	50.1	42.9
Lithuania	49.9	36.5	45.6	59.5
Romania	55.4	51.7	43.5	47.4
Slovakia	61.1	59.2	37.1	39.0
Average	57.0	58.1	41.1	40.1

Source: Eurostat.

Share of total employment by enterprise size class — 1995 and 1997 (as a % of employment in all enterprises surveyed)

Tab. 2

Country	Enterprises with no employees		Small enterprises	
	1995	1997	1995	1997
Czech Republic	16.7	18.8	31.4	35.9
Estonia	4.5	4.0	49.1	45.1
Hungary	14.9	16.7	42.0	30.0
Poland	11.1	11.4	36.2	39.8
Slovenia	5.5	9.3	26.1	27.7
Lithuania	4.9	3.3	28.3	32.8
Romania	19.5	16.4	51.7	53.7
Slovakia	8.9	10.2	37.0	34.6
Average	11.5	12.4	36.5	36.7

Source: Eurostat.

Mobility of enterprises between 1995 and 1997

Tab. 3

Country	% of 1995 small enterprises reverting to enterprises with no employees	% of 1995 enterprises with no employees growing to small enterprises
Czech Republic	17.7	8.7
Estonia	8.2	60.5
Hungary	52.5	10.7
Poland	17.5	13.7
Slovenia	31.2	21.5
Lithuania	12.3	32.6
Romania	16.5	24.3
Slovakia	21.9	15.2
Average	23.8	19.5

Source: Eurostat.

ENTERPRISES HAVE A LOW SURVIVAL RATE

The survival rate of enterprises in candidate CECs over the 1995-97 period was low. Only 69 % of the 1995 enterprises survived to remain economically active in 1997. The survival rate was not significantly different between the Luxembourg group countries and the Helsinki group (about 70 %). Legal entities had only a slightly higher survival rate than natural person enterprises: 71 % as against 68 %.

The difference between the Luxembourg group and the Helsinki group in terms of survival rates was that natural persons enterprises in the Luxembourg group had a slightly higher survival rate at 69 %, as against 65 % in the Helsinki group countries. The Luxembourg group countries were also characterised by greater variety in survival rates: the lowest survival rate across all candidate CECs was in Hungary: 54 % (the same percentage both for legal entities and for natural person enterprises). The highest survival rate was enjoyed by Slovenia: 80 % for legal entities and 81 % for natural persons (Table 4).

MANY ENTERPRISES HAVE SWITCHED AWAY FROM THEIR SECTOR OF ACTIVITY

The early transition years in CECs were marked by a great degree of uncertainty about the pace and nature of structural change, and enterprises typically had poor information upon which to base their entry decisions. A potential reason why survival rates are low is that in the earlier years of transition, enterprises were more prone to making wrong choices of sectors. If later experience proves the choice of sector to be wrong, enterprises may be forced to switch to some other sector to survive. That is a costly process, when the irretrievable sunk costs of entry and the initial organisational capital are lost to the enterprise. Further, an enterprise beginning anew in a different sector, is bound to take longer to develop technical and organisational competence and maturity. Have significant proportions of enterprises in candidate CECs remained in the sectors they began with, or has there been much switching between sectors?

This question is particularly sharp when it is posed in terms of broad sectors such as: manufacturing, construction, distributive trade, transport, hotels, restaurants and catering, and other services. A high degree of switching by survivors across these 'broad' sectors is potentially worrying, though admittedly a portion of the switching across sectors may simply reflect re-allocation of resources that accompany restructuring, particularly in the case of enterprises that started out through acquisition of former state enterprises. Among enterprises that survived from 1995 to 1997, the degree of 'mobility' appears to have been high, and roughly comparable, sector to sector (Table 5).

Across candidate CECs, 81 % of 1995 manufacturing enterprises which survived in 1997 stayed in the sector, and 19 % switched out. In Luxembourg group countries, the mobility was slightly less (83 % stayed and 17 % switched), compared to the Helsinki group (78 % stayed and 22 % switched).

83 % of 1995 construction enterprises in the candidate CECs which survived in 1997 stayed in construction, and 17 % switched out. In the Luxembourg group countries, mobility was less (85 % and 15 %) compared to the Helsinki group (81 % and 19 %).

In the distributive trade, 85 % of the 1995 enterprises which survived in 1997 stayed in the sector, and 15 % switched out. There was little difference between the Luxembourg group countries and the Helsinki group.

In hotels, restaurants and catering, across the candidate CECs, 81 % of the 1995 enterprises which survived in 1997 stayed, and 19 % switched. In the Luxembourg group, there was more stability (85 % stayed while 15 % switched). In the Helsinki group, 75 % stayed, and 25 % switched.

The transport sector was marked by much more stability than the other sectors. Across candidate CECs, 88 % of the 1995 transport enterprises which survived in 1997 stayed in transport, while 12 % switched. There was a greater degree of stability in the transport sector in the Luxembourg group (91 % stayed and 9 % switched) compared to the Helsinki group (83 % stayed and 17 % switched).

In the 'other services' sector, over all candidate countries, 84 % stayed, while 16 % switched. In the Luxembourg group, the corresponding figures were 85 % and 15 %. In Helsinki group, it was 81 % and 19 %.

There was evidently not much of a difference between the two groups.

Analysis of individual country data shows that Poland had the most stable enterprise sector. Across all sectors, over 91 % of enterprises stayed, and only 9 % switched. Romania had the least stable enterprises, below 75 % stayed in each sector except distributive trade.

This evidence suggests that enterprises in the Luxembourg group countries were slightly more stable in sticking to their chosen sectors. A larger proportion of enterprises of the Luxembourg group countries appear to have had slightly more time to develop competence and thus are more likely to be prepared for EU accession. However, the degree of switching is relatively high across the countries, and that points to the importance of an SME policy that assists potential SME entrants to develop cohesive business strategies, with better information, and planning to assist in sector choice.

Survival rates by type of unit (%) — 1995-97 Tab. 4

Country	Natural persons	Legal entities	Total
Czech Republic	73.9	78.2	74.3
Estonia	55.9	57.1	56.9
Hungary	53.4	54.4	53.8
Poland	66.0	70.8	66.7
Slovenia	81.4	79.9	80.8
Latvia	59.8	61.6	61.2
Lithuania	51.2	63.9	54.7
Romania	67.7	72.0	70.8
Slovakia	73.0	75.9	73.3
Average	67.7	70.9	68.6

Source: Eurostat.

Proportions of enterprises switching out of their activity — 1995-97 Tab. 5

Country	Manufacturing	Construction	Distributive trade	Hotels, etc.	Transport	Other services
Czech Republic	24.4	16.5	19.0	19.9	14.0	11.4
Estonia	16.4	19.2	12.7	22.5	17.0	14.8
Hungary	18.0	11.4	12.5	20.2	5.0	18.1
Poland	6.3	8.3	5.4	3.6	4.8	6.6
Slovenia	15.6	19.8	21.3	12.0	7.1	20.5
Latvia	14.1	30.9	6.7	20.2	4.1	19.3
Lithuania	24.5	9.1	12.8	31.8	17.3	20.0
Romania	24.6	25.3	15.2	36.4	26.2	24.8
Slovakia	21.7	14.4	15.2	12.2	13.6	13.0
Average	18.8	16.7	14.7	18.9	12.2	16.4

Source: Eurostat.

4

CANDIDATE COUNTRIES FROM CENTRAL EUROPE

SMEs are facing multiple difficulties

AVERAGE ENTERPRISE SIZE HAS GONE DOWN

Enterprises grow by acquiring technical and organisational capabilities. Switching across sectors imposes extra costs in the development of these capabilities. Evidence of a high degree of switching points to the possibility that the growth prospects of enterprises were poor in their original sectors. Did surviving enterprises grow or contract? What was the size of the average enterprise?

Comparing the 1995 sample with the 1997 sample, employment in the average enterprise in candidate CECs fell sharply, from 8 persons to 5 persons. Average enterprise size among the Luxembourg group countries fell even more dramatically, from 9 to 5. Among these, the sharpest falls were seen by Hungary (from 6 to 2.2) followed by Slovenia (from 11.2 to 5.7); the least drops were seen by Poland (7.5 to 5.6) and Slovakia (7.4 to 7.3). The countries in the Helsinki group saw, on average, a slightly smaller decline than the immediate group, from 8 to 5 (Figure 1).

The fall in average size cuts across organisational forms. Across candidate CECs, legal entities fell in average size from 25 to 15 persons. Natural person enterprises stayed steady in average size at 3 (Figures 2 and 3). In the Luxembourg group countries, legal entities fell in size from an average of 27 to 14, and less dramatically, from 27 to 18 in the case of the Helsinki group countries. Natural person enterprises in the Luxembourg group fell in average size from 3 to 2. In contrast, in the Helsinki group, average size increased from 2 to 3, driven mainly by Lithuania where the average size of natural person enterprises increased from 3.1 to 7.4.

Clearly, most of the change in size structure was due to the sizes of enterprises that entered and exited; yet average size of surviving legal entities fell, if only marginally. Taking all candidate CECs together, average size of enterprises that survived between 1995 and 1997 stayed steady at 10 ([1]). Natural person enterprises stayed steady at 3, while legal entities fell in size from 31 to 29.

There was a greater variety of growth experience of surviving enterprises among the Luxembourg group countries: enterprises in some countries dropped in average size much more rapidly than others. Hungarian enterprises lost size sharply, from 7.2 to 5.7; natural person enterprises fell in average size from 2 to 1.4, legal entities from 16.9 to 13.4. Polish enterprises proved to be the exception, growing marginally in size, from 8.1 to 8.5; natural person enterprises grew from 3.3 to 3.7, and legal entities from 31.6 to 31.9.

The fall in average size of surviving legal entities, and the lack of growth of natural person enterprises, point to the difficult business environment enterprises faced in these countries. If SMEs are to generate employment opportunities, and compensate for the process of relocation of businesses which is bound to accompany integration, they may need to be assisted, particularly in increasing their share of international trade. SME policy will need to be attentive to both demand side and supply side problems that plague SMEs.

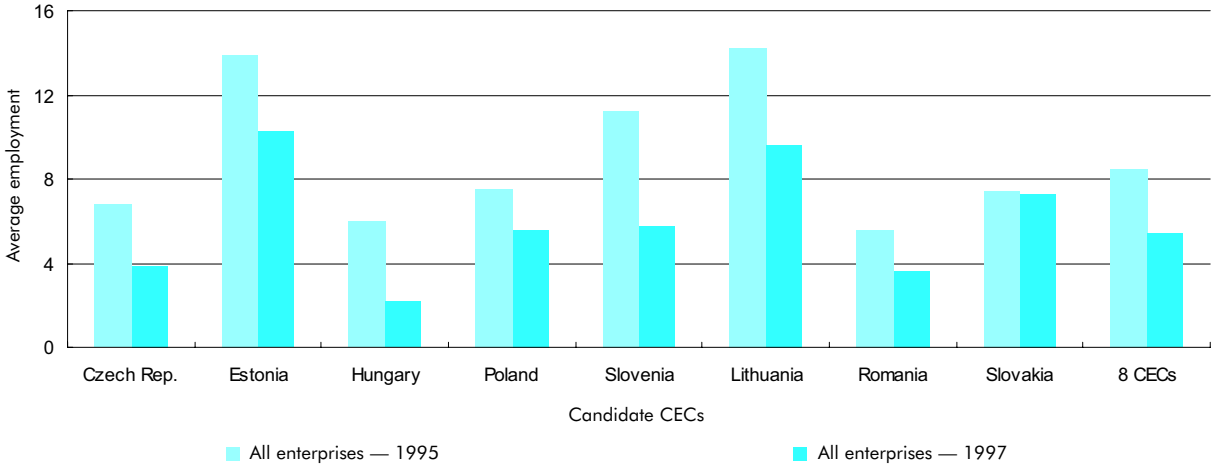
Many enterprises contracted in terms of numbers of activities...

As an enterprise goes about its task of mobilising resources and matching them with opportunities to create value, it also creates possibilities for its growth. In the widely accepted competence based theory of the growth of firms, firms are seen to grow based on the directions in which their accumulated internal resources and capabilities lead. This is the basis of growth through diversification, either in a narrow sense, or in a broad sense.

([1]) The following figures are taken from *Development of Enterprises in Central European Countries — 1995-97*, Eurostat Theme 4, Studies and Research series, 1999.

Average size, all enterprises — 1995 and 1997

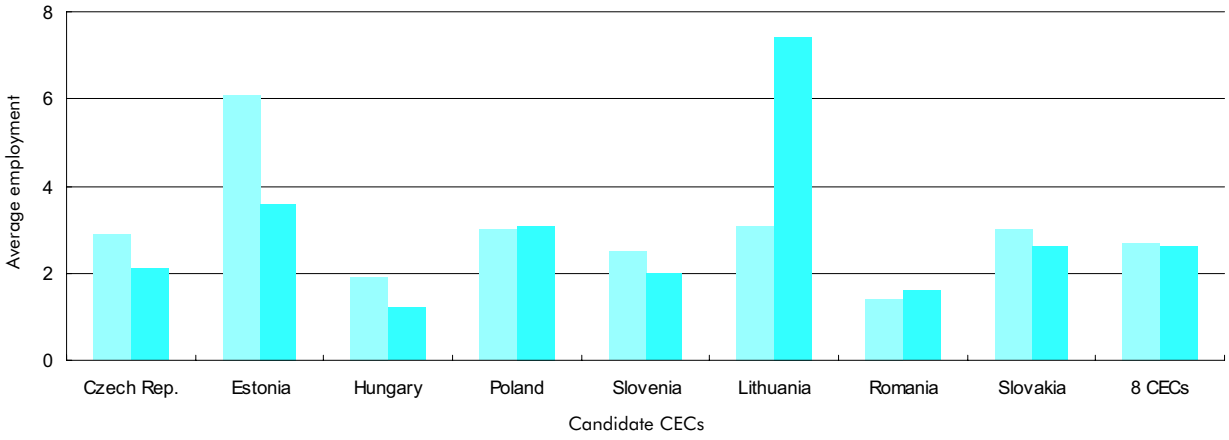
Fig. 1



Source: Eurostat.

Average size of natural person enterprises — 1995 and 1997

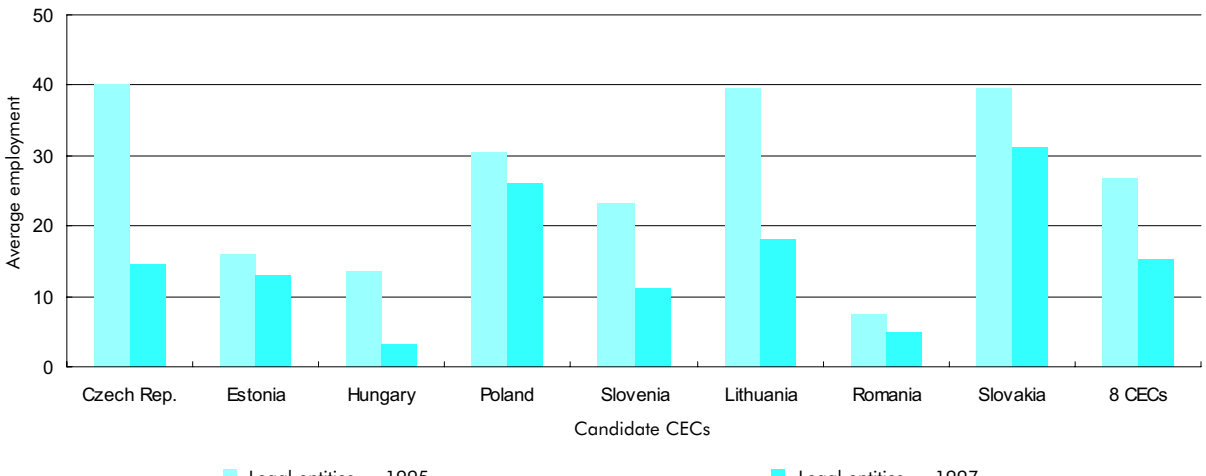
Fig. 2



Source: Eurostat.

Average size of legal entities — 1995 and 1997

Fig. 3



Source: Eurostat.

There are many dimensions to growth. One important aspect of enterprise growth is the move from one single activity to more than one activity. In 1995, across all CECs, 76 % of enterprises in the panel were single activity enterprises; 24 % had multiple activities. 13 % of the 1995 single activity enterprises grew to have multiple activities by 1997. Over the same period, 66 % of enterprises with multiple activities in 1995 reverted to focus on single activities by 1997 (Figure 4).

In the Luxembourg group countries, 12 % of enterprises with single activities in 1995 moved to multiple activities by 1997. 68 % of enterprises with multiple activities in 1995, reverted to single activities in 1997. In the Helsinki group, the corresponding figures were 15 and 63 %.

Estonia was the country with the largest proportion of enterprises growing in terms of activities. 20 % of 1995 single activity enterprises moved out to multiple activities. Slovenia had the least proportion of single activity enterprises growing to more than one activity (9 %), and the largest proportion of enterprises reverting from multiple activities to single activity (85 %).

Evidence of the high degree of downward mobility in number of activities is mirrored in the downward mobility in number of local units as seen below.

... As in terms of numbers of local units

Were SMEs setting up multiple local units? Across the candidate countries for which data are available, the proportion of enterprises with only one local unit stayed steady at a high 93 %. There was no noticeable difference between the Luxembourg group and the Helsinki group. These figures remained the same in the panel.

Mobility of enterprises between these categories was notable. 95 % of enterprises with only one local unit in 1995 continued to have only one local unit in 1997; 5 % grew to have more than one local unit. But 66 % of the small number of enterprises with more than one local unit in 1995 shed units and became single local unit enterprises by 1997 (Figure 5).

There was no significant difference between the Luxembourg group or the Helsinki group; though there were substantial country differences. Slovenia led the contraction, with 77 % of multi-unit enterprises turning into single unit enterprises. Even in the country that suffered the least, the Czech republic, the 58 % of multi-unit enterprises reverted to being single unit enterprises.

Many enterprises regressed from operating out of independant premises to operating from homes

At the initial stages of their lives, enterprises with no employees may tend to be located in the manager's home. This saves on costs, but as the enterprise grows, it is invariably necessary to move to independent premises chosen from the point of view of suitability as a location of production, closeness to sources of inputs or demand for outputs.

Such premises increase the scope for growth, both in terms of the range of value-adding activities, as well as in terms of employment. Thus, a third aspect of SME growth that can be usefully examined is whether there has been a move to independent premises from manager's homes. 56 % of the 1995-97 panel of enterprises operated from the manager's home in 1995. This fell marginally to 53 % in 1997 ([1]).

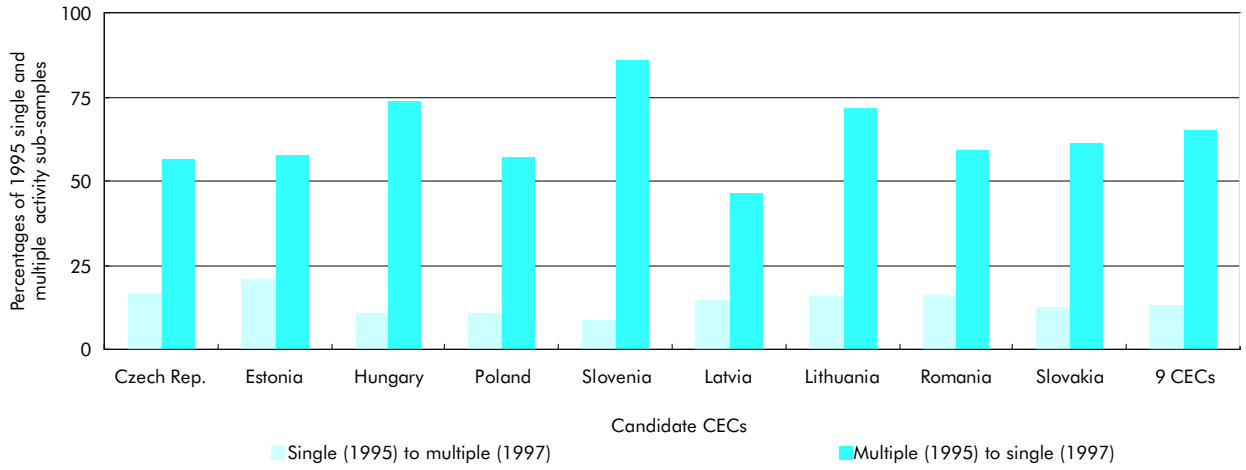
Mobility of firms between these categories was marked. 75 % of the 1995 firms operating from the managers' home continued to operate from home in 1997; 25 % grew to move to independent premises. A strikingly high 26 % of firms operating from independent premises in 1995 reverted to operating from managers homes in 1997.

In the Luxembourg group countries, on average, 20 % of firms operating from home in 1995 moved out to independent premises (a high 40 % in the case of Estonia). The corresponding percentage for the Helsinki group countries was a much higher 33 % (51 % in the case of Latvia). Worryingly, in the Luxembourg group, on average, 26 % of firms operating from independent premise in 1995 reverted to operate from home in 1997 (34 % for Slovenia and for Poland). The corresponding percentage for the Helsinki group was 25 % (Figure 6).

([1]) These figures are taken from *Development of Enterprises in Central European Countries — 1995-97*, Eurostat Theme 4, Studies and Research series, 1999.

Growth of enterprise — 'Single activity' to 'multiple activities' and converse — 1995-97

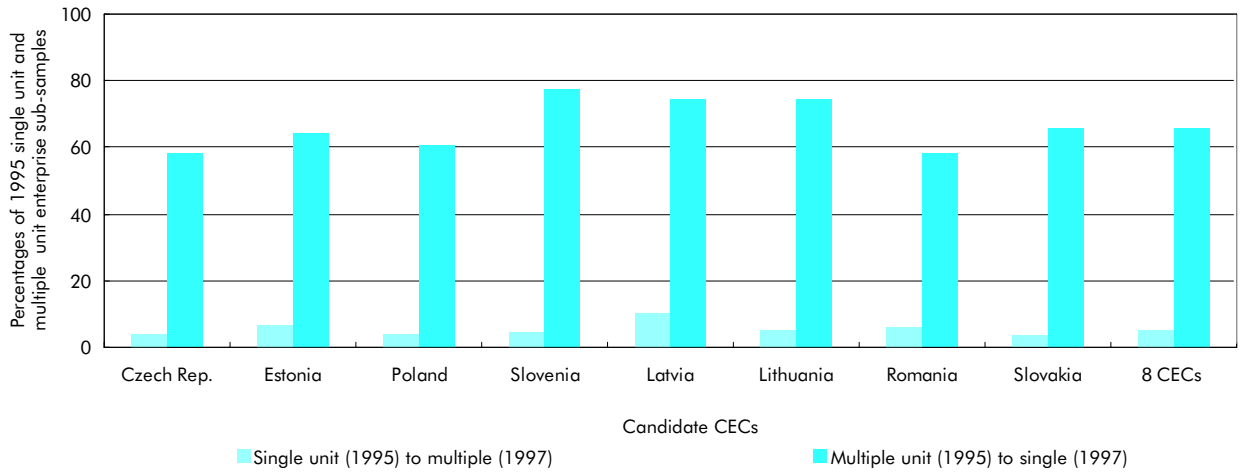
Fig. 4



Source: Eurostat.

Growth of enterprise — 'Single local unit' to 'multiple local units' and converse — 1995-97

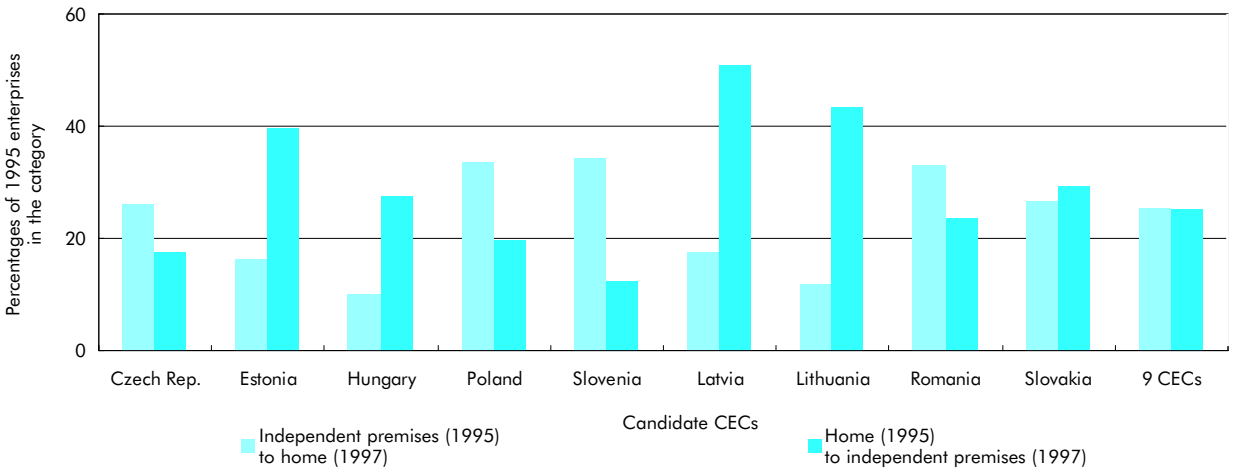
Fig. 5



Source: Eurostat.

Proportions of 1995 'independent premises' and 'home based' enterprise samples shifting away

Fig. 6



Source: Eurostat.

The growth evidence presented above suggests that the change in size breakdowns between 1995 and 1997 was limited, but the net change in the size breakdown does not tell the whole story of transition. Underlying it, there was a high degree of upheaval. The transition to the market system created a rich mixture of opportunities and jolts. Evidently, from the perspective of growth, while some enterprises have developed, many enterprises have suffered serious negative shocks. The indicators of size and growth were generally lower in 1997 than in 1995.

FUTURE DOES NOT APPEAR ROSY

In 1997, only 16 % of enterprises in the Luxembourg group expected employment to increase. 78 % expected employment to hold steady, while 6 % expected their employment to decline. Enterprises in the Helsinki group were in a similar position. Only 16 % expected employment growth, while 5 % expected employment decline (Figure 7). The overall macro and micro environments were obviously not considered conducive to investment and growth.

THERE ARE DEMAND SIDE AND SUPPLY SIDE BARRIERS TO GROWTH

Given that the expectations of growth were modest, it is useful to examine the constraints faced by the enterprises. The surveys asked enterprises about demand side and supply side constraints in some detail ([1]).

In the 1995-97 panel, 35 % of enterprises reported demand side and supply side difficulties in 1995. This proportion rose to 40 % in 1997. In 1995, 36 % reported no difficulties, and of these, 49 % stayed free of problems in 1997; 29 % developed both supply and demand problems, and 22 % developed either supply or demand problems. Among those who had both types of problems in 1995, 56 % remained troubled on both counts and 21 % grew out of both types of problems by 1997 (Tables 6 and 7).

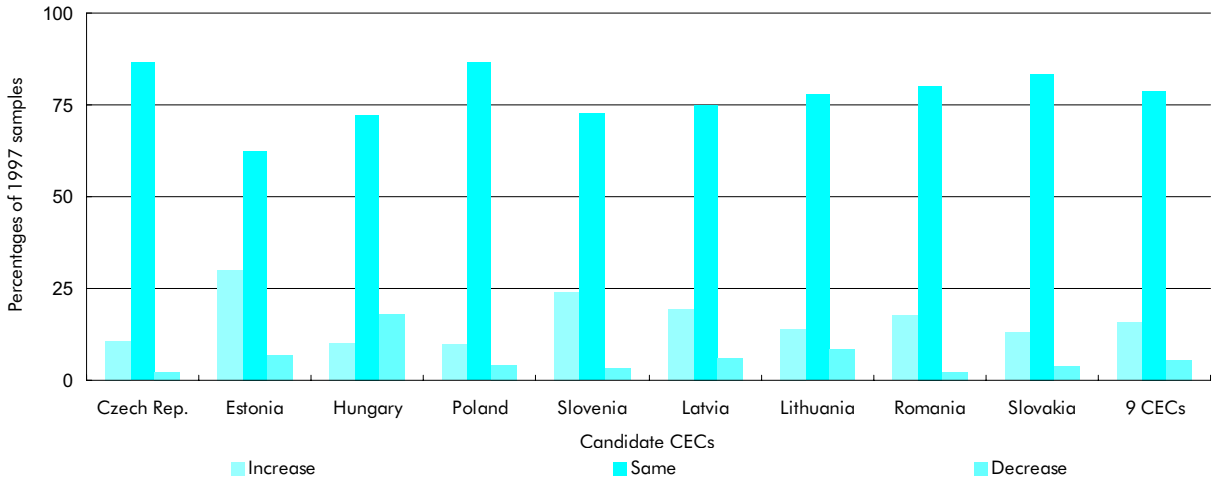
In the Luxembourg group countries, 41 % of the panel were problem free in 1995. Of these, 42 % stayed free of problems by 1997, the rest developed problems, 36 % developed both demand side and supply side problems. Of the 31 % that reported problems in 1995, only 23 % grew free of both types of problems by 1997. 53 % stayed troubled on both counts. Hungarian enterprises were particularly marked by difficulties. Only 33 % of the 1995 no-difficulties group stayed free of difficulties; 45 % developed problems on both counts. A massive 81 % of the group of enterprises with demand and supply side difficulties in 1995 stayed troubled on both counts in 1997.

The Helsinki group countries fared worse. 59 % of the 1995 problem free group stayed free of problems. 61 % of the 1995 enterprises with demand and supply difficulties stayed troubled on both counts. This figure was as high as 81 % in Lithuania and 70 % in Latvia.

([1]) The following figures are taken from *Development of Enterprises in Central European Countries — 1995-97*, Eurostat Theme 4, Studies and Research series, 1999.

Expectation of future employment

Fig. 7



Source: Eurostat.

Distribution of active enterprises according to perceived trading difficulty (%)

Tab. 6

Country	1995 None	1995 Supply or Demand	1995 Supply and Demand	1997 None	1997 Supply or Demand	1997 Supply and Demand
Czech Republic	53.8	24.6	21.6	47.5	24.2	28.3
Estonia	27.9	30.8	41.3	34.2	28.4	37.4
Hungary	17.6	25.3	57.1	11.1	18.9	70.0
Poland	39.2	38.3	22.5	39.5	38.1	22.4
Slovenia	47.7	27.8	24.5	51.6	26.5	21.9
Latvia	14.5	23.9	61.6	20.1	20.8	59.1
Lithuania	11.2	26.8	62.0	8.8	15.9	75.3
Romania	31.9	32.1	36.0	34.8	21.3	43.9
Slovakia	40.7	29.3	30.0	40.6	25.6	33.8
Average	35.8	28.9	35.3	35.6	24.8	39.5

Source: Eurostat.

Evolutions of enterprises with respect to their 1995 trading difficulties (%)

Tab. 7

Country	None (1995) 1997 None	None (1995) 1997 Supply or demand	None (1995) 1997 Supply and demand	Supply and demand (1995) 1997 None	Supply and demand (1995) 1997 Supply or demand	Supply and demand (1995) 1997 Supply and demand
Czech Republic	64.0	19.8	16.3	21.8	23.2	55.0
Estonia	53.0	25.8	21.3	21.8	24.6	53.6
Hungary	32.9	21.9	45.2	5.1	13.6	81.3
Poland	49.4	21.0	29.6	21.8	31.9	46.3
Slovenia	19.8	23.4	56.8	36.0	25.6	38.4
Latvia	61.4	28.5	10.1	11.5	18.2	70.3
Lithuania	49.8	16.5	33.6	5.5	13.2	81.3
Romania	58.1	21.7	20.2	26.3	18.4	55.4
Slovakia	63.3	23.9	12.9	23.2	25.3	51.5
Average	48.5	22.1	29.4	21.4	22.3	56.4

Source: Eurostat.

SMEs are facing multiple difficulties

Supply side difficulties

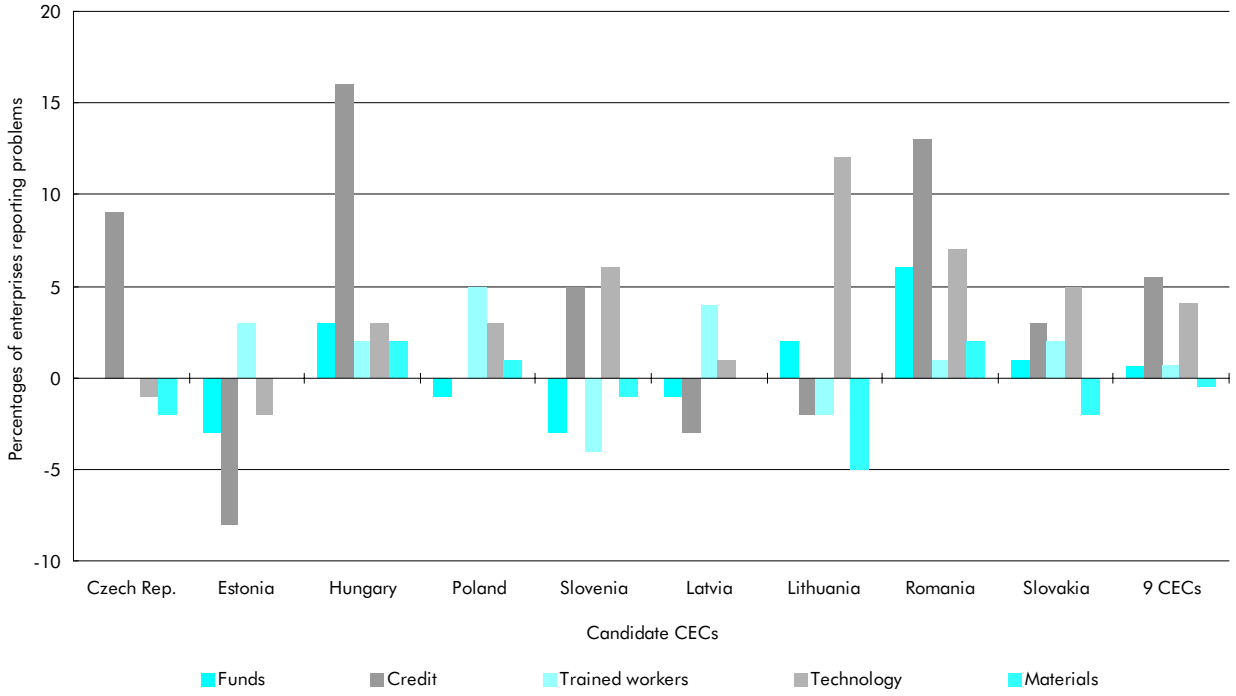
The important supply side difficulties reported were: lack of funds (76 % of enterprises reported this to be a problem in 1995), lack of access to credit (33 %), lack of trained workers (15 %), lack of technology (11 %), and lack of raw materials (7 %). Over the 1995-97 period, the problems that afflicted an increased proportion of enterprises were: access to credit (from 33 % in 1995 to 38 % in 1997), and lack of technology (11 % in 1995 to 15 % in 1997), (Figure 8).

Comparing the Luxembourg group countries with the Helsinki group, the main difference was in technology. In the Luxembourg group, 10 % of firms reported lack of technology to be a problem in 1995, and this went up to 13 % in 1997. In the Helsinki group countries, the corresponding percentages were 11 % in 1995, and 18 % in 1997.

Demand side difficulties

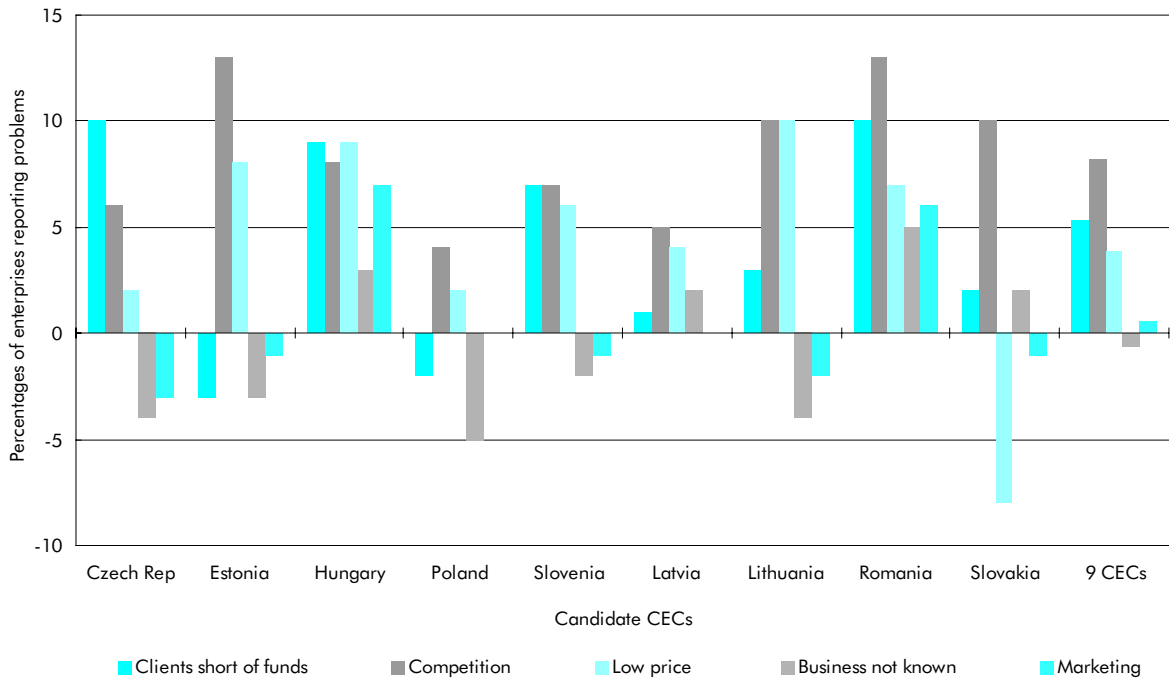
The important demand side difficulties reported were: clients being short of funds (66 % of enterprises reported this to be a problem in 1995), too much competition (53 %), market price too low (23 %), business not sufficiently well known (20 %), and lack of marketing ability (17 %). Over the 1995-97 period, the problems that afflicted an increased proportion of enterprises were: too much competition (from 53 % in 1995 to 61 % in 1997), and clients short of funds (66 % in 1995 to 71 % in 1997), (Figure 9). A larger proportion of enterprises in the Luxembourg group countries reported problems under all counts than in the Helsinki group, in both years, except on the count of clients being short of funds. The proportion of enterprises reporting these demand side difficulties increased between 1995 and 1997; in the Luxembourg group on the count of too much competition (56 to 63 %), on the count of clients being short of funds (60 to 66 %), and on the count of the market price being too low (25 to 30 %). In the Helsinki group, they increased on the count of too much competition (48 to 58 %), and on the count of clients being short of funds (75 to 80 %).

Supply side bottlenecks — Changes in proportions of enterprises reporting problems — 1995-97 Fig. 8



Source: Eurostat.

Demand side bottlenecks — Changes in proportions of enterprises reporting problems — 1995-97 Fig. 9



Source: Eurostat.

ASSESSMENT OF COUNTRIES IN THE LUXEMBOURG AND HELSINKI GROUPS

In this concluding section the most notable features in the development of enterprises is reviewed for each of the countries in the Luxembourg and Helsinki groups, with special reference to their difficulties.

Luxembourg group countries

Czech Republic

The growth performance of the Czech Republic has been spiralling down; real GDP growth rate was 6.4 % in 1995. This fell to 3.9 % in 1996, and further to 1 % in 1997. In 1998 the country went into recession with real GDP contracting by 2.7 %. The survey reveals that over the 1995-97 period, average enterprise size fell, though survival rate was high (74 %). The demand side difficulty 'clients short of funds' was of increasing importance to enterprises. On the supply side, the proportion of firms complaining about credit increased. There has been a welcome move recently towards a medium term framework for economic policy.

Estonia

Estonia grew at an average rate of 5.8 % between 1995 and 1998. Good growth performance is reflected in that, over 1995-97, the proportion of enterprises without difficulties increased, and the proportion with both supply and demand side problems decreased. 'Access to trained workers' was the supply side problem that increased in importance. On the demand side, the proportions complaining about 'too much competition' and that the 'market price was too low' increased very much. However, the survival rate was a low 57 %. The average size of natural person enterprises fell, but remained relatively high, possibly due to a threshold for compulsory registration, which may have led to over representation of larger natural persons. But it is also the case that Estonian legislation makes it more convenient to operate as a limited liability company than as a sole proprietor. The result was a drop in enterprises with no employees.

Hungary

The growth of the Hungarian economy has picked up; while 1995 and 1996 saw GDP growth rates of 1.3 and 1.5 % respectively, the growth rate in 1997 was 4.6 % and in 1998, 5.1 %, thanks to sustained investment spending and a rebound in private consumption. But difficulties had increased hugely for Hungarian enterprises in the 1995-97 period both on supply and demand sides. An increasing proportion suffered limited access to credit. Growing demand side problems were 'clients short of funds', 'too much competition' and 'market price too low'. The survival rates and average employment size were quite low. A large proportion of enterprises expected employment to decrease.

Poland

Poland has enjoyed positive and stable economic conditions in recent years, and it is clear that this has enabled the growth of a strong enterprise sector. The GDP growth rate averaged 6.2 % over the 1995-98 period. 'Access to trained workers' and 'access to technology' were the supply side problems that increased in importance. There was also increased demand side complaints of 'too much competition' and 'market price too low'. Polish enterprises enjoyed a relatively high survival rate (67 %). There was very little switching (less than 10 %) in all six main sectors.

Slovenia

Driven by exports to a large extent, over the 1995 to 1998 period, Slovenia grew at an average rate just short of 4 %. The success of exports conceals the shortfall in domestic demand. According to the survey, 'clients short of funds', 'too much competition' and 'market price too low' were the problems that increased in importance in the 1995-97 period. Among supply side problems, 'lack of credit' increased in importance. Enterprises enjoyed a high survival rate (over 80 %), and a large proportion expected employment to rise (over 20 %).

Helsinki group countries

Latvia

Latvia picked up its real GDP growth from – 8 % in 1995 to 3.3 % in 1996 and an impressive 8.6 % in 1997. In 1998, the pace of growth of the Latvian economy slowed significantly, mainly due to the Russian crisis. Over the 1995 to 97 period, 'lack of access to trained workers' on the supply side, and 'too much competition' and 'low market price' on the demand side increased in importance. The survival rate was 61 %. It is clear that Latvia's lingered too long, dependent on Russia as a commercial and financial partner. Though it was integrating into West European markets, the pace was not fast enough.

Lithuania

Real GDP rose by 5.1 % on average, between 1995 and 1998. However, over the second half of 1998, the pace of activity slackened due to disruption of trade relations with Russia. The survey found that a majority of the Lithuanian enterprises perceived both supply and demand difficulties (over 75 % in 1997, up from 62 % in 1995). Over 80 % of firms reported 'lack of funds' to be a supply side problem in both 1995 and 1997; but 'lack of technology' grew most in importance. An increasing proportion of Lithuanian enterprises complained about 'competition' and 'low market price'. The survival rate for enterprises was relatively low (55 %). Almost one third of the enterprises operating in the hotels, restaurants and catering sector in 1995 had switched out of the sector by 1997; a quarter of the manufacturing enterprises had also switched activity.

Romania

Romania has been on a downward spiral in terms of growth. Real GDP growth rate was 7.1 % in 1995 but declined to 3.9 % in 1996 and – 6.6 % in 1997. In 1998 the growth rate was – 7.3 %. There were serious declines in industrial production and fixed investment. Over the 1995-97 period, there was an increase in the proportion of enterprises perceiving both demand and supply side problems. 'Access to credit' was the supply side problem, while on the demand side, 'lack of client funds' and 'excessive competition' gained importance. Though GDP growth was negative, survival rates were relatively high (71 %). Average employment decreased and there was considerable switching (more than 20 %) in most sectors of the economy. In 1999, the Romanian authorities reached preliminary agreement with the international financial institutions on a programme of measures to achieve macroeconomic stabilisation and structural reforms. These reforms are crucial for the restoration of confidence in the economy and the resumption of the flow of foreign official and private finance.

Slovakia

Over the 1995-97 period real GDP grew on average at a rate of 6.6 %. But Slovakia is now suffering a slowdown brought about by the corrective measures tackling its fiscal and external deficits. GDP growth for 1998 averaged only 4.4 %. Over the 1995-97 period, the survival rate was high at 73 %. 'Lack of technology' increased in importance as a supply side problem, while 'clients short of funds', 'too much competition' and 'market price too low' were the demand side problems that became more important.

CONCLUSION

Appropriate SME policies that aim at removing the barriers to SME competitiveness are particularly urgent in CECs. The European Community's SME policy (built into the 'Third Multi-annual Programme for SMEs' and the multi-annual Programme for Enterprise and Entrepreneurship, 2001-2005) provides a useful benchmark. It aims at assisting SMEs in formulating cohesive and competitive business strategies, by simplifying and improving the administrative and regulatory business environment, improving the financial as well as the informational environment for SMEs, helping them to europeanise and internationalise their strategies, and improving their competitiveness through access to research, innovation and training.

METHODOLOGY

Sources and geographical coverage

The evidence presented in this report comes from an enterprise survey program co-ordinated by Eurostat and carried out by the statistical agencies of 11 participating PHARE countries. This program, called the PECO panel project, covers Albania, Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia. This chapter focuses on the 10 candidate CECs in this list. Because of the lack of available data, it does not cover other candidate countries (Cyprus and Malta) or other countries covered by the PHARE Program (Albania). Bulgaria, which underwent major changes in the business register within the period is excluded from the analysis.

Survey methodology

The first survey, in 1995, covered a sample of 92 146 CEC non-agricultural private enterprises that were economically active. This sample was a stratified one, drawn in a co-ordinated way from the business registers of the participating countries. Under the guidance of Eurostat, all participating countries used the same concepts, definitions and classifications in the sample survey. The 1995 survey collected information on enterprise size and characteristics. The follow up survey in 1997 had the objective of tracing developments among enterprises in these countries. This covered existing and newly created enterprises in all eleven countries. The 1995 enterprises that were still active in 1997 constitute a panel with 38 127 enterprises. This is particularly useful in determining the track record of surviving enterprises.

Sectoral coverage

The focus is on non-agricultural enterprises in the private sector (excluding public administration enterprises as well as private non-profit making enterprises). These form the bulk of the Private, and indeed the SME sectors, in these countries.

The considered economy was divided into six main sectors of activity:

- Manufacturing: NACE Rev. 1, sections C, D and E (i.e. divisions 10 to 41);
- Construction: NACE Rev. 1, section F (i.e. division 45);
- Distributive trade: NACE Rev. 1, section G (i.e. divisions 50 to 52);
- Hotels, restaurants and catering: NACE Rev. 1, section H (i.e. division 55);
- Transport: NACE Rev. 1, section I (i.e. divisions 60 to 64);
- Other services: NACE Rev. 1, sections J, K, M, N and O (i.e. divisions 65 to 74 and 80 to 93).

Size classes

SMEs constitute a heterogeneous group. Statistical definition of SMEs often depends on the availability of data. Size thresholds that define micro, small, medium and large enterprises are generally based on the number of employees. In this chapter, small enterprises are defined as those employing between 1 and 49 employees and large enterprises are those with more than 50 employees. Enterprises with no salaried employment are called enterprises with no employees These categories differ from the rest of the publication where small and large enterprises belong respectively to the size classes (10-49) and 250 or more employees.

Results methodology

Summary statistics of the Luxembourg group and the Helsinki group are obtained as weighted averages, based on sample proportions as weights for country averages. Again, Bulgaria, which underwent major changes in the business register within the period is excluded from the analysis. All estimates in this report are based on samples rather than a complete census of all enterprises. Small differences may be attributable to the sampling distribution.

Annexes

Annex 1 — Methodological summary

MAIN ELEMENTS OF THE 'SME' DATABASE

National data

Geographical cover	Member States of the EU and EFTA (Iceland, Norway and Switzerland)
Analytical unit	Enterprise
Sectoral classification	Until 1992: NACE 70, three-digit level From 1993: NACE Rev. 1, three-digit level
Breakdown by size class (number of employees)	Until 1992: 0, 1-9, 10-19, 20-49, 50-99, 100-199, 200-249, 250-499, 500 + From 1993: 0, 1-9, 10-49, 50-249, 250 +
Economic variables	Number of enterprises Number of persons employed Number of employees Turnover Value added at factor cost Personnel costs Gross wages and salaries Total investments Total expenditure on R&D Exports Imports Percentage of production sold on the domestic market

Estimates from national data

Geographical cover	Member states of the European Union, EU-15 and EUR-11
Analytical unit	Enterprise
Sectoral classification	Until 1992: NACE 70, two-digit level (EU-15 only) From 1993: NACE Rev. 1, two-digit level for EU-15 and EUR-11 and 7 sectoral aggregates for the Member States of the EU
Breakdown by size class (number of employees)	Until 1992: 0, 1-9, 10-19, 20-49, 50-99, 100-199, 200-249, 250-499, 500 + From 1993: 0, 1-9, 10-49, 50-249, 250 +
Economic variables	Number of enterprises Number of persons employed Turnover

Regional data

Geographical cover	NUTS 2 regions of the Member States of the EU and Norway
Analytical unit	Local unit
Sectoral classification	From 1993: NACE Rev. 1, two-digit level
Breakdown by size class (number of employees)	From 1993: 0, 1-9, 10-19, 20-49, 50-99, 100 +
Economic variables	Number of local units Number of persons employed Number of employees

Annex 1 — Methodological summary

Introduction

This sixth report is devoted principally to the results of exploitation of Eurostat's 'SME' database. Some chapters are nevertheless based on other sources, and the relevant methodological information is included in each of those chapters.

The 'SME' database comprises structural data on enterprises, broken down by number of employees and by economic activity at national and regional levels. Although the data structure is simple, many exceptions exist and for that reason this chapter begins with some preliminary remarks on the concepts and on the practical problems encountered in compiling statistics on SMEs. The following sections then describe the main characteristics of the 'SME' database.

The database, including raw data and estimates for a number of reference years, is available on CD-ROM. The CD-ROM also sets out detailed information on the national methodologies needed for proper analysis and comparison of data.

STATISTICS OF SMES: CONCEPTS TO LIMIT COMPLEXITY

When dealing with SMEs, the statistician has to reconcile the complexity of the world of business with users' need for data which are recent, comparable, detailed and of good quality. His role is thus to restrict the wide range of enterprises to an image of businesses which is both exhaustive and internationally comparable.

Reducing complexity means taking fundamental decisions about certain statistical concepts relating to the representation of economic facts, in particular:

— the choice of the unit of observation;

— the definition of 'size';

— the definition of 'activity'.

(1) Regulation (EEC) No 696/93 of 15 March 1993, OJ L 76 of 30.3.1993, p. 1.

Choosing the unit of observation for the statistical observation of the production system

Confronted by the diversity of the business population, the national statistical institutes have adopted different approaches to collecting data on production units, stressing the legal organisation of the economic activity, or its local organisation. The organisation of the economic activity also varies from one sector to another.

The statistical unit selected for observation of the production system should in theory reflect the population of units and permit them to be compared, even in the presence of the national and sectoral differences noted above. It should also match the population targeted by the user and, in the case of this publication, match the population concerned by the Union's enterprise policy, i.e. those with a certain freedom of decision as regards investment. Of the units described in the EU Regulation on statistical units (1), the enterprise seems to be the best suited to analysis at national level. It corresponds to the smallest combination of legal units producing goods or services and constituting an autonomous economic entity.

However, the fact of observing an enterprise gives no information about whether it forms part of a group of enterprises. And SME policy must distinguish according to whether or not the enterprise belongs to a larger group. Regrettably, groups of enterprises do not currently figure in the business statistics of many Member States.

When the focus is on regional analysis of economic activity, the observation must be related to the geographical location of the enterprise or its component elements, and in this case the local unit is an appropriate concept.

Applying these uniform concepts in all countries brings us closer towards an exhaustive, comprehensible and comparable representation of the production system. But national particularities sometimes show through and, in these cases, readers wishing to make comparisons are strongly advised to consult the national methodologies.

Annex 1 — Methodological summary

Definition of 'size of enterprise'

Statistics of SMEs concentrate on the differences between small and medium-sized enterprises and larger ones, but what exactly is meant by 'small and medium-sized'?

The Commission has adopted the following definitions of SMEs and micro-enterprises ([1]):

— a medium-sized enterprise is defined as having fewer than 250 employees, and either a total turnover which does not exceed ECU 40 million or a balance-sheet total which does not exceed ECU 27 million;

— a small enterprise is defined as having fewer than 50 employees, and either a total turnover which does not exceed ECU 7 million or a balance-sheet total which does not exceed ECU 5 million;

— a micro-enterprise is defined as having fewer than 10 employees.

In addition, such enterprises must be independent, i.e. no other business or businesses outside the definition may hold more than 25 % of the enterprise. The thresholds for turnover and balance-sheet totals are due to be reviewed every four years.

In practical terms, however, the gathering of data requires a single highly-disaggregated criterion of employment, which is a compromise between users' needs and the general practice in Member States, that practice itself being a compromise between the value of the information and the burden on business its collection represents.

Definition of the enterprise's principal activity

Businesses frequently have more than one activity. It is up to the statistician to develop a method by which units can be linked to specific sectors of activity, thus permitting a synthetic analysis of the production system. To achieve this, each unit's principal activity must be identified by reference to the single nomenclature of economic activities used throughout the Union, the NACE Rev. 1.

But this classification can sometimes prove troublesome. Major enterprises in particular can be involved simultaneously in many widely-differing activities, covering in-house every stage of production and sale. In such cases, applying the statistical classification inevitably leads to a loss of information. In addition, if because of national legislation the organisational structure of these majors differs from one country to another, the user must bear in mind the lack of comparability in the statistical representation of enterprises.

Classification of economic activities

Since reference year 1993, data have as a rule been sent to Eurostat in accordance with the NACE Rev. 1 nomenclature ([2]). If not, they are converted.

From 1993 onwards, data cover all non-agricultural market activities (i.e. all except sections A, B, L and Q of NACE Rev. 1, i.e. divisions 01, 02, 05, 75 and 99).

For each country, and in addition to gross national data, seven sectoral aggregates have been computed for the purposes of analysis and comparability:

— industry and energy (NACE Rev. 1, divisions 10 to 41);

— construction (NACE Rev. 1, division 45);

— trade and HoReCa (NACE Rev. 1, divisions 50 to 55);

— transport and communication (NACE Rev. 1, divisions 60 to 64);

— financial intermediation (NACE Rev. 1, divisions 65 to 67);

— other business activities (NACE Rev. 1, division 74);

— other services (NACE Rev. 1, divisions 70 to 73, 85, 90, 92 and 93).

Units

The enterprise is the main unit used for national 'SME' data. But since certain countries could not provide data on enterprises, they sent instead data on VAT units or legal units. For regional data, the unit of observation is the local unit. Most of the statistical units used are defined in Council Regulation (EC) No 696/93 of 15 March 1993 on statistical units.

([1]) See the Commission Recommandation (EC) No 96/280 of 3 April 1996 concerning the definition of Small and Medium-sized Enterprises, OJ L 107 of 30.4.1996, p. 8.

([2]) NACE: statistical classification of economic activities in the European Community (see the presentation of this classification in the annexes of this volume, pp. 198-199).

Annex 1 — Methodological summary

The enterprise

is the smallest combination of legal units that is an organisational unit producing goods or services, which benefits from a certain degree of autonomy in decision-making, especially for the allocation of its current resources. An enterprise carries out one or more activities at one or more locations. An enterprise may be a sole legal unit.

The local unit

is an enterprise, or part of one, situated in a geographically identified place.

The kind-of-activity unit (KAU)

groups all the parts of our enterprise contributing to the performance of an activity at class level of the NACE Rev. 1 (i.e. four-digit level) and corresponds to one or more operational subdivisions of the enterprise.

The local kind-of-activity unit (Local KAU)

is the part of a KAU which corresponds to a local unit.

The establishment

Several countries send data on establishments. The definition of local KAU is nearest to that of establishment.

The enterprise group

is an association of enterprises bound together by legal and/or financial links. A group of enterprises can have more than one decision-making centre. It may centralise certain aspects of financial management and taxation, and constitutes an economic entity which is empowered to make choices, particularly concerning the units which it comprises.

Other units

Certain countries use other units with a legal basis: legal unit or VAT unit. These do not correspond directly to any of the foregoing definitions and are defined in the corresponding national registers.

Due to such specific definitions, data for different statistical units are not fully comparable. The size class breakdown should be read with caution as the definition of a unit strongly influences its size.

DEFINITION OF SIZE CLASSES

The distinguishing feature of 'SME' data is that they are arranged by size class. Boundaries between size classes are expressed in numbers of employees, and this allows one-man businesses (size class zero) to be distingusihed from the remainder of the population.

National data

In theory, data have been supplied at the level of detail specified in Eurostat's requests for data. However, detailed size classes have been aggregated into five main classes, corresponding to the definitions of SMEs proposed by DG 'Enterprise', in order to meet requirements of publication, analysis and conclusive comparison:

— no waged employees: 0 employee;

— very small enterprises: 1 to 9 employees;

— small enterprises: 10 to 49 employees;

— medium-sized enterprises: 50 to 249 employees;

— large enterprises: 250 or more employees.

Regional data

Regional data are broken down differently. For the most part they were provided at the level of detail requested by Eurostat:

— 0 employees,

— 1 to 9 employees,

— 10 to 19 employees,

— 20 to 49 employees,

— 50 to 99 employees,

— 100 or more employees.

Not all countries are capable of such a detailed breakdown by size class, and in consequence the aggregations are not always arrived at in the same way. In those cases, in order to avoid misinterpreting the results, the user should refer to the footnotes to the figures and tables.

Annex 1 — Methodological summary

ECONOMIC VARIABLES

The SME database contains data on the number of enterprises in each size class. It should be noted, however, that the unit taken into account is not the enterprise but the VAT unit in Belgium and the legal unit in Finland.

In addition to the number of enterprises in each size class, the 'SME' data also include a number of economic variables concerning in particular:

— employment: number of persons employed and number of employees;

— turnover;

— value added at factor cost;

— personnel costs.

Data are usually available for all these variables at national level, but at regional level only employment data have been compiled, in addition to the number of units.

Employment variables

Number of persons employed (total employment)

This is the total number of persons who work in the observation unit (including both wage-earning employees and the self-employed) plus persons who belong to and are paid by the unit but work outside it ([1]).

Number of employees (wage-earning employees)

This means persons working for an employer under a contract of employment, and remunerated in the form of wages, salary, fees, emoluments, bonuses, indemnities, piece-work rates, or benefits in kind ([1]).

Financial variables

Turnover

Turnover comprises the totals invoiced by the observation unit during the reference period, which corresponds to market sales of goods or services supplied to third parties. It includes all duties and taxes on the goods or services invoiced by the unit, with the exception of the VAT invoiced by the unit vis-à-vis its customers and other similar deductible taxes directly linked to turnover ([1]).

For the purposes of this publication, the turnover of the banking sector is defined as receipts from interest and commission. In the insurance sector it is gross premium income, and for pension funds, pension contribution income.

Turnover data are given at current prices. It should be noted that in the case of Norway, this variable corresponds to the gross production value.

Gross value added at factor cost

Gross value added at factor cost is defined as the gross income from operating activities after adjusting for operating subsidies and indirect taxes. It can be calculated from turnover, plus capitalised production, plus other operating income, plus or minus changes in stocks, minus purchases of goods and services, and minus other taxes on products which are linked to turnover but not deductible and the duties and taxes linked to production ([1]).

Personnel costs

Personnel costs are defined as the total remuneration, in cash or in kind, payable by an employer to an employee (regular and temporary employees, as well as home-workers) in return for work done by the latter during the reference period. Personnel costs also include taxes and employees' social security contributions retained by the unit, as well as the employer's compulsory and voluntary social contributions.

Wages and salaries are the total remuneration paid, regardless of whether it is paid on the basis of working time, output or piecework, and whether it is paid regularly or not.

([1]) For a complete definition, see Commission Regulation (EC) No 2700/98 of 17 December 1998 concerning the definitions of characteristics for structural business statistics, OJ L 344 of 18.12.1998, p. 49.

Annex 1 — Methodological summary

MAIN SOURCES OF THE 'SME' DATABASE

In most countries data come from public institutions, principally the NSIs, which in many cases cull data from several official sources, and the social security departments. In a few cases data are from private oganisations.

As a rule, SME data are merged from several sources, either at national level or by Eurostat. This process is frequently necessary in order to cover all the variables needed for all sectors of the economy and all size classes.

Confidential data

Most countries, in order to preserve confidentiality, prohibit the dissemination of data when they concern only a very small number of enterprises — usually two or three units. Data transmitted to Eurostat by Member States are in these cases either received already processed for confidentiality, or are processed by Eurostat in accordance with each country's confidentiality rules.

Estimates

As a first step towards compiling estimates for the Union as a whole, Eurostat has produced a series of estimates by country. Two complementary estimation methods were used, depending on the availability and quality of data. The first was built around a recalibration of the data based on existing data from earlier years and data held in the 'SBS' database for the size class total, and the second based on analysis of observed changes in the same variable and the same group of enterprises in other countries. The principle underlying this method is estimating a value for each variable in each size class and country by applying a growth rate weighted for the same size class in a set of other countries deemed to be neighbours. The result obtained on completion of this first iteration can be recalibrated on the basis of any available additional data, notably from the 'SBS' database.

Regional classification

The regional classification used for the 'SME' database is the NUTS (Nomenclature of Territorial Statistical Units), which has been in force since 1988 and was revised in 1999 ([1]). Data are supplied at NUTS level 2, which corresponds approximately to the second administrative level below national level. Since neither Denmark nor Luxembourg has NUTS 2 subdivisions, no regional data are provided for these two countries.

Comparability of data with other sources

As a rule, countries compile 'SME' data by using or combining data from specific sources. These may be different from the sources used, for example, in the national accounts data or from results of industrial or enterprise censuses. Differences regarding methodology, levels of harmonisation or compilation methods, particularly in the definition of size classes in terms of numbers of employees or persons employed, exits between data from the 'SME' database and data of the 'SBS' database set up under Council Regulation (EC, Euratom) No 58/97 of 20 December 1996 concerning structural business statistics ([2]) (see the methodological note, p. 12).

'SME' database data relate only to non-agricultural market activities, and this leaves aside a significant part of the economy and of employment: agriculture, forestry, fishing, public administration and non-market services.

The different sectoral cover and sources used may also produce divergences in results between 'SME' data and data from other statistical sources.

([1]) See Council Regulation (EEC) No 2052/88 on the tasks of the Structural Funds, OJ L 185 of 15.7.1988.

([2]) OJ L 14 of 17.1.1997, p.1.

Annex 2 — Abbreviations and symbols

COUNTRIES

EU	European Union
EU-15	All Member States of the European Union (as of 1 January 1995)
EUR-11	All Member States of the European monetary Union (1 January 1999): B, D, E, F, IRL, I, L, NL, A, P, S
B	Belgium
DK	Denmark
D	Germany
EL	Greece
E	Spain
F	France
IRL	Ireland
I	Italy
L	Luxembourg
NL	The Netherlands
A	Austria
P	Portugal
FIN	Finland
S	Sweden
UK	United Kingdom
AL	Albania
BG	Bulgaria
CZ	Czech Republic
EE	Estonia
HU	Hungary
IS	Iceland
LT	Lithuania
LV	Latvia
NO	Norway
PL	Poland
RO	Romania
SI	Slovenia
SK	Slovakia

INSTITUTIONS AND ORGANISATIONS

CBR	Center for Business Research (ESRC, Cambridge University)
EC	European Community/Communities
EEC	European Economic Community (now EC)
EFTA	European Free Trade Association (Stockholm Convention)
ESRC	see CBR
Euratom	European Atomic Energy Community (EAEC)
Eurostat	Statistical Office of the European Communities
EUR-OP	Office for Official Publications of the European Communities
OECD	Organisation for Economic Cooperation and Development
Unesco	United Nations Educational, Scientific and Cutural Organisation

Annex 2 — Abbreviations and symbols

OTHER

BACH	Bank of harmonised company accounts data
CD-ROM	compact disc — read-only memory
CEC	Central European Countries
CIS2	Second Community Innovation Survey
DG	Directorate General
DG ECFIN	Directorate General for Economic and Financial Affairs
ECU	European currency unit
euro-zone	All Member States of the European monetary Union (1 January 1999): B, D, E, F, IRL, I, L, NL, A, P, S
GDP	Gross Domestic Product
GISCO	Geographic Information System for the Commission of the European Union
HoReCa	Hotels, restaurants and catering
LFS	Labour Force Survey
NACE	General Industrial Classification of Economic Activities within the European Communities
NACE Rev. 1	Statistical Classification of Economic Activities within the European Community (concerning data from 1993 onwards)
NUTS	Nomenclature of Territorial Statistical Units
OJ	Official Journal of the European Communities
Phare	Community Programme for assistance for economic restructuring in the countries of central Europe
REGIO	Regional database of Eurostat
R&D	Research and Development
SBS	Structural Business Statistics
SME	Small and Medium-sized Enterprise
SMU	Small and Medium-sized local Unit
VAT	Value-Added Tax

SYMBOLS

cont.	continued
doc.	document
e.g.	exempli gratia (for example)
Fig.	Figure
i.e.	id est
Mio	million
Mrs	Madam
Mr	Mister
NB	nota bene: note
No	number
p. (pp.)	page (pages)
Rep.	Republic
sq. km.	square kilometer
Tab.	Table
vol.	volume
:	data not available
..	confidential data
%	percentage

Annex 3 — NACE Rev. 1 ([1])

STATISTICAL CLASSIFICATION OF ECONOMIC ACTIVITIES IN THE EUROPEAN COMMUNITY

NACE 01	Agriculture, hunting and related service activities
NACE 02	Forestry, logging and related service activities
NACE 05	Fishing, operation of fish hatcheries and fish farms; service activities incidental to fishing
NACE 10	Mining of coal and lignite; extraction of peat
NACE 11	Extraction of crude petroleum and natural gas; service activities incidental to oil and gas extraction excluding surveying
NACE 12	Mining of uranium and thorium ores
NACE 13	Mining of metal ores
NACE 14	Other mining and quarrying
NACE 15	Manufacture of food products and beverages
NACE 16	Manufacture of tobacco products
NACE 17	Manufacture of textiles
NACE 18	Manufacture of wearing apparel; dressing and dyeing of fur
NACE 19	Tanning and dressing of leather; manufacture of luggage, handbags, saddlery, harness and footwear
NACE 20	Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials
NACE 21	Manufacture of pulp, paper and paper products
NACE 22	Publishing, printing and reproduction of recorded media
NACE 23	Manufacture of coke, refined petroleum products and nuclear fuel
NACE 24	Manufacture of chemicals and chemical products
NACE 25	Manufacture of rubber and plastic products
NACE 26	Manufacture of other non-metallic mineral products
NACE 27	Manufacture of basic metals
NACE 28	Manufacture of fabricated metal products, except machinery and equipment
NACE 29	Manufacture of machinery and equipment n.e.c.
NACE 30	Manufacture of office machinery and computers
NACE 31	Manufacture of electrical machinery and apparatus n.e.c.
NACE 32	Manufacture of radio, television and communication equipment and apparatus
NACE 33	Manufacture of medical, precision and optical instruments, watches and clocks
NACE 34	Manufacture of motor vehicles, trailers and semi-trailers
NACE 35	Manufacture of other transport equipment

([1]) See Council Regulation (EEC) No 3037/90 of 9 October 1990, OJ L 293 of 24.10.1990, p. 1.

Annex 3 — NACE Rev. 1

STATISTICAL CLASSIFICATION OF ECONOMIC ACTIVITIES IN THE EUROPEAN COMMUNITY

NACE 36	Manufacture of furniture; manufacturing n.e.c.
NACE 37	Recycling
NACE 40	Electricity, gas, steam and hot water supply
NACE 41	Collection, purification and distribution of water
NACE 45	Construction
NACE 50	Sale maintenance and repair of motor vehicles and motorcycles; retail sale of automotive fuel
NACE 51	Wholesale trade and commission trade, except of motor vehicles and motorcycles
NACE 52	Retail trade, except of motor vehicles and motorcycles; repair of personal and household goods
NACE 55	Hotels and restaurants
NACE 60	Land transport; transport via pipelines
NACE 61	Water transport
NACE 62	Air transport
NACE 63	Supporting and auxiliary transport activities; activities of travel agencies
NACE 64	Post and telecommunications
NACE 65	Financial intermediation except insurance and pension funding
NACE 66	Insurance and pension funding except compulsory social security
NACE 67	Activities auxiliary to financial intermediation
NACE 70	Real estate activities
NACE 71	Renting of machinery and equipment without operator and of personal and household goods
NACE 72	Computer and related activities
NACE 73	Research and development
NACE 74	Other business activities
NACE 75	Public administration and defence; compulsory social security
NACE 80	Education
NACE 85	Health and social work
NACE 90	Sewage and refuse disposal, sanitation and similar activities
NACE 91	Activities of membership organisations n.e.c.
NACE 92	Recreational, cultural and sporting activities
NACE 93	Other service activities
NACE 95	Private households with employed persons
NACE 99	Extra-territorial organisations and bodies