

### J.1. Firm size: employment per enterprise

■ A comparison of the average employment of foreign affiliates and firms under national control shows that foreign affiliates are significantly larger than national firms. This is true for all countries.

■ The difference is especially large in manufacturing. The average employment of foreign affiliates is a multiple of that of firms under national control, even in large countries such as Germany and the United States which have large domestic firms. A large group of small and medium-sized enterprises (SMEs) likely decreases the average size of the group of firms under national control.

■ In services, foreign affiliates are also larger than national firms, although the differences seem smaller than in manufacturing in certain countries.

■ The larger average size of foreign affiliates is explained in the first place by a sector composition effect. Foreign affiliates are typically more often in scale industries in which scale and thus size are important drivers of competitiveness.

■ Even abstracting from differences in the sector mix between foreign affiliates and firms under national control, foreign affiliates still have on average a larger size within industries. Previous research has demonstrated that the production technology of multinational companies is typically characterised by a high degree of scale economies.

#### Sources

- OECD, *AFA Database*, January 2010.
- OECD, *FATS Database*, January 2010.

#### For further reading

- OECD (1994), *The Performance of Foreign Affiliates in OECD Countries*, OECD, Paris.
- OECD (2005), *Measuring Globalisation: OECD Handbook on Economic Globalisation Indicators*, OECD, Paris, [www.oecd.org/sti/measuring-globalisation](http://www.oecd.org/sti/measuring-globalisation).

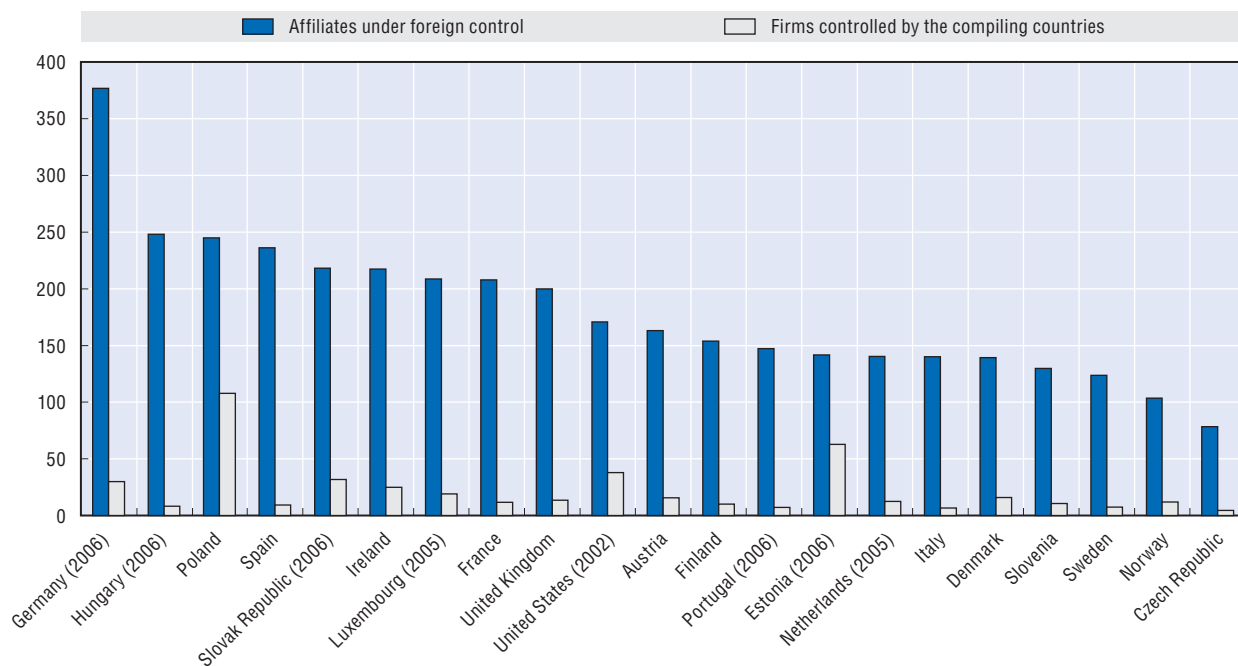
#### **Measuring the average size of foreign-controlled affiliates**

The size of foreign-controlled affiliates should normally be factored into analytical work on the basis of survey results. Even though this information should theoretically be available for a great many countries, the OECD has not yet requested it as part of its international surveys on the activity of multinational firms, so as not to raise the administrative cost of member country responses and, above all, to avoid the numerous cases of statistical confidentiality to which such data could give rise. Nevertheless, it is acknowledged that firm size has a significant influence on certain economic variables, such as wages, R&D expenditure, exports and profit. Moreover, a breakdown by size of all firms located within a given compiling country would facilitate identification of the degree of internationalisation of small and medium-sized enterprises in terms of exports and outward foreign direct investment. As proxies for actual survey data on firm size, the following approximate average metrics are used:

- average turnover by firm;
- average employees by firm.

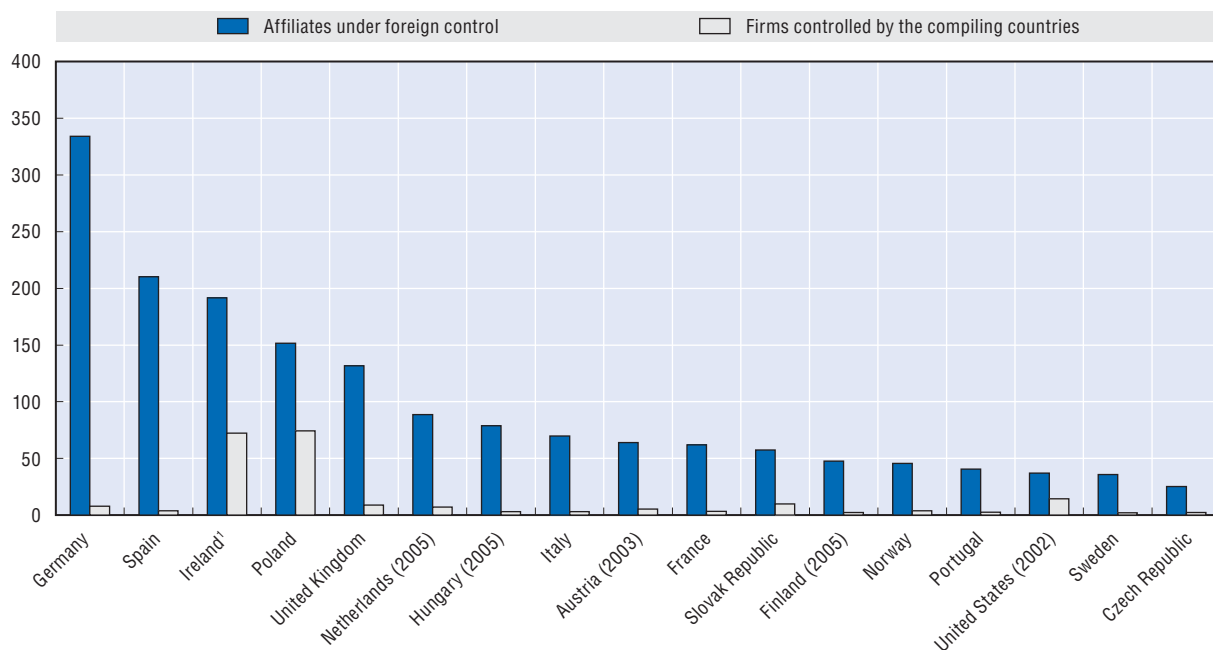
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Figure J.1.1. Number of employees by enterprise of foreign affiliates and national firms in manufacturing, 2007



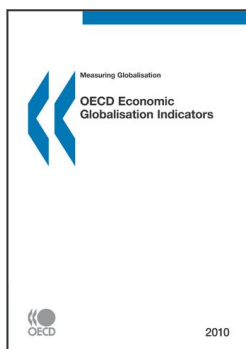
StatLink <http://dx.doi.org/10.1787/844637758325>

Figure J.1.2. Number of employees by enterprise of foreign affiliates and national firms in services, 2006



1. Enterprises with 20 employees or more.

StatLink <http://dx.doi.org/10.1787/844644005212>



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