



International sourcing and global value chains survey 2017-18
Definitions

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Definitions

1. Objectives and scope

The overall objective of the survey is to monitor the economic globalisation of businesses by developing and providing indicators and new statistical evidence. Policy makers at national and EU-level together with other stakeholders need information about the increasingly globalised organisation of businesses and the impacts of economic globalisation. A key challenge for Europe imposed by globalisation is how to secure existing jobs and create new jobs on a sustainable basis.

The survey starts with questions on domestic activities of enterprises. Further, as a key part of the survey it includes questions on domestic and international sourcing of business functions. Then, it asks enterprises about their motivations for and barriers against the international sourcing. Finally, there is a set of questions on moving business functions from abroad to the reporting country.

The questionnaire includes the following modules and themes:

Module 1: General information focuses on the respondent enterprise and its organisational structure asking information about belonging to an enterprise group, control by another enterprise and, when relevant location of the global group head. Information on module 1 should be based on business registers.

Module 2: Domestic activities in your enterprise focuses on activities in the enterprise by business function and it concerns only the respondent enterprise. This module does not concern the enterprise's affiliates (or other enterprises in the same group) or subcontracted activities. First there is a question on enterprise's own perception of its' main activity. Question 2.1 is the only question that asks enterprises about their own perception of (to indicate) the main activity/business model. The information from the question 2.1 will be used to identify Factoryless Goods Producers.

.In the question 2.2 enterprises are asked to breakdown/allocate their employees (no. of persons employed) to different business functions In that question the determination of the core business functions should be based on business registers.

Module 3: Domestic sourcing of business functions asks, as a filter question, whether enterprises have been active in domestic sourcing. If yes then they are asked to further precise which functions have been sourced in the reporting country either to enterprises within the same enterprise group or to other enterprises.

Module 4: International sourcing of business function asks about the international sourcing of business functions of enterprises. This module is the largest of the modules including 5 questions in total (4.1-4.5). The key question is the number of job losses and creations within the enterprise due to international sourcing (q. 4.4 and 4.5).

Module 5: Motivation and barriers for international sourcing focuses on the motivation factors enterprises have for engaging in international sourcing and barriers against for being active in it.

Module 6: Moving business functions from abroad to [name of reporting country] asks as a filter question whether enterprises have totally or partially moved business functions to the reporting country. If yes then they are asked to quantify the movement and indicate the business function(s) in question.

The two key dimensions of the questionnaire reflecting international organisation of businesses are **business functions** and **geographical area**.

Business functions are divided into the **core business function** and **support business functions**. The approach is similar to the 2007 and 2012 Eurostat surveys on International Sourcing.

Core business function

A distinction is made between two overall types of core business functions:

- Production of goods:

The primary activity of your enterprise is the production of physical goods.

- Provision of services:

The primary activity of your enterprise is the provision of services (including trade).

This splitting of the core business function is new compared to the previous surveys and is introduced due to the fact that many service enterprises misunderstood this question and referred to one of the support business functions as their main activity if this activity was one of the explicitly mentioned support functions, see below.

Support business functions consist of the following 6 groupings:

- Distribution and logistics
- Marketing, sales services and after sales services including help desks and call centres.
- ICT services
- Administrative and management functions
- Engineering and related technical services
- Research & Development
- Other support functions

These groupings are the same as applied in the 2007 IS survey. The only difference to 2012 survey is that R&D and engineering services have now again been separated into two groups, because there is a special policy interest in knowing if R&D functions are being sourced internationally. For more on business functions, see section 2 on definitions.

Geographical areas used are almost similar to the ones used in the 2012 IS survey, except that Central and South America is now a separate area, Russia is merged to the group of other European countries, Brazil to the group of Central and South American countries and Near- and Middle-East countries are in the residual category: rest of the world.

The regions used are:

- EU-15: Belgium, Denmark, Germany, Greece, Spain, France, Ireland, Italy, Luxembourg, Netherlands, Austria, Portugal, Finland, Sweden, and the United Kingdom.
- EU-13: Bulgaria, Croatia, Cyprus, the Czech Republic, Estonia, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia, Slovak Republic, , and Romania.

- Other European countries: Switzerland, Norway, Turkey, Russia, Belarus, Ukraine and the Balkan states. In 4.3 optional and 6.3 second optional question Russia is a separate country and not among other European countries.
- USA and Canada.
- Central and South America including Brazil and Mexico. In 4.3 optional and 6.3 second optional question Brazil is a separate country and not part of Central and South America.
- China.
- India.
- Other Asian countries (Japan, Korea, Vietnam etc.), and Oceania (including Australia and New Zealand).
- Rest of world: countries not included elsewhere, e.g. Near- and Middle-East, and Africa.

For more on geographical areas, see section 2 on definitions.

The questionnaire operates with two different **time spans**. The questions mainly refer to a three year time period from the beginning 2014 until the end 2016 or beginning 2015 until the end of 2017; the first option applies if the survey is carried out in 2017 and the latter if the survey is carried out in 2018. Furthermore, some questions only refer to point in time information at the end of 2016 or 2017.

2. Definitions

2.1 Units

Enterprise group

An enterprise group is a set of enterprises controlled by the group head. It 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, especially for policy on production, sales and profits. It may centralize certain aspects of financial management and taxation. It constitutes an economic entity which is empowered to make choices, particularly concerning the units which it comprises. In the most extensive version of an enterprise group includes affiliates, sister enterprises, the parent enterprise and even joint ventures.

Control

Control means the ability to determine the general policy of an enterprise by choosing appropriate directors, if necessary. In this context, enterprise A is deemed to be controlled by an enterprise B when B controls, *whether directly or indirectly*, more than half of the shareholders voting power or more than half of the shares.

Indirect control means that an enterprise may have control through another affiliate which has control over enterprise A.

Control can be exerted via effective minority control without owning more than half of the shareholders voting power or more than half of the shares.

Group Head

The group head is a parent legal unit, which is not controlled either directly or indirectly by any other legal unit, controlling one or more enterprises. In case of multinational enterprise groups global and domestic group heads can be identified. The **global group head** is the group head of the multinational enterprise group, the domestic group head is on the top of the truncated national part of the multinational enterprise group.

Foreign Affiliate

In this survey, foreign affiliate means an affiliate resident outside of the compiling country over which the reporting enterprise resident in the compiling country has control. See the definition of control above.

Job

A job is an activity, occupation or task. Often it is a so called employment job, which is regular and is performed in exchange for payment (contract). It can also be non-regular, part-time and it can be a so called self-employment job, for which the remuneration is directly dependent upon the profits (or the potential for profits) of the enterprise.. Jobs are performed in the observation/statistical unit i.e. in the enterprise.

Jobs lost

Information about Jobs lost due to International sourcing is asked for in the question under module 4 on International sourcing. It should be noted that we ask for an estimate about total number (gross) domestic jobs lost in the responding enterprises *as a result* of International sourcing. Please *do not include domestic job losses in the responding enterprise* that has taken place due to other reasons (e.g. domestic lay-offs, poor business cycle etc.) than International sourcing. It may also be that even if jobs / business functions have been moved abroad, the persons previously performing these functions may still be employed in the company carrying out other tasks (may also be new tasks related to jobs created because of international sourcing). In these cases the jobs should still be counted as jobs lost.

Jobs created

Information about jobs created due to International sourcing is asked for in the question under module 4 on International sourcing and in Module 6 on Moving business functions from abroad to [name of reporting country]. It should be noted that we ask for an estimate about total number (gross) of domestic jobs created in the responding enterprises *as a result* of International sourcing. Please *do not include domestic jobs created in the responding enterprise* that has taken place due to other reasons (e.g. Expansion abroad; for example if you set up of a new production line abroad without a movement of business functions abroad (core or support business functions) nor reduction of activity and/or jobs in the concerned enterprise etc.) than International sourcing or Moving business functions from abroad to [name of reporting country].

Number of persons employed

Module 2 includes questions about number of persons employed in the responding enterprise but not in its affiliates (domestic nor foreign) nor in other enterprises.

The number of persons employed is defined as the total number of persons who work in the observation unit (inclusive of working proprietors, partners working regularly in the unit and unpaid family workers working regularly in the unit), as well as persons who work outside the unit who belong to it and are paid by it (e.g. sales representatives, delivery personnel, repair and maintenance teams). It includes persons absent for a short period (e.g. sick leave, paid leave or special leave), and also those on strike, but not those absent for an indefinite period. It also includes part-time workers who are regarded as such under the laws of the country concerned and who are on the pay-roll, as well as seasonal workers, apprentices and home workers on the pay-roll.

High skill jobs

High-skill jobs comprise expert occupations such as professionals, associate professionals, managers, senior officials, researchers, informaticians or other technical occupations, generally employing persons with tertiary education. The question is formulated in this way as it is not the intention to have the exact educational level of the jobs sourced as the main policy interest is to understand to which extent more knowledge intensive jobs have been sourced internationally. Furthermore, an exact identification of the educational level is expected to cause a major burden on the responding enterprise which we want to avoid.

2.2 Business functions

Core business function

This function is the primary activity of the enterprise and will in most cases equate with the main activity of the enterprise. In order of clarification a splitting of the core business function into production of goods OR services has been introduced. These produced goods or services are final ones, they are intended for the market/for third parties and they generate turnover. Due to the increased servicification of many manufacturing enterprises this question can be interpreted differently by the enterprises but the rule is to allocate the core business function which equals the main activity as classified in the Business Register. Consequently the enterprises should be guided in relevant questions to choose only one core business function i.e. manufacturing or services.

Support business function

Support business functions (ancillary activities) are carried out in order to permit or facilitate production of goods or services intended for the market/for third parties by the enterprise. The outputs of the support business functions are not themselves intended directly for the market/for third parties.

The support business functions are divided into:

Distribution and logistics consists of transportation activities, warehousing and order processing functions.

Marketing, sales and after sales services including help desks and call centres. This consists of market research, advertising, direct marketing services (telemarketing), exhibi-

tions, fairs and other marketing or sales services. Also including call-centre services and after sales services such as help-desks and other customer supports services.

ICT services include IT-services and telecommunication. IT services consist of hardware and software consultancy, customized software data processing and database services, maintenance and repair, web-hosting, other computer related and information services. Packaged software and hardware are excluded.

Administrative and management functions includes legal services, accounting, book-keeping and auditing, business management and consultancy, HR management (e.g. training and education, staff recruitment, provision of temporary personnel, payroll management, health and medical services), corporate financial and insurance services. Also including procurement functions.

Engineering and other technical services:

Engineering and other technical services, technical consultancy, testing and certification as well as design services.

Research & development (R&D):

Intramural research and experimental development, including software development (as a support function).

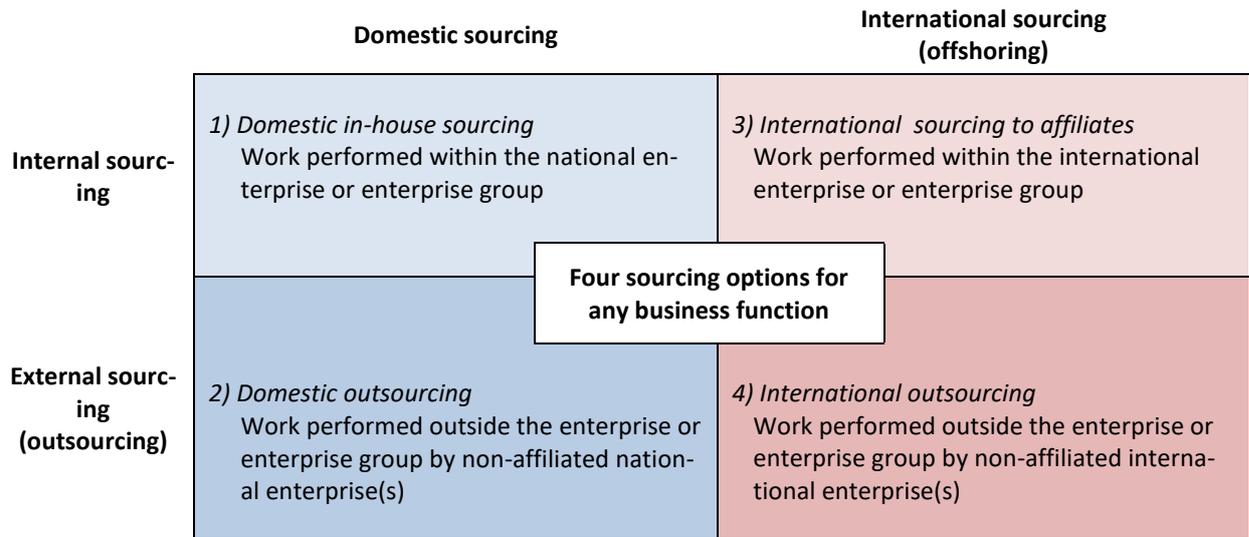
Other support functions are all other functions not previously mentioned, including manufacturing as a secondary activity for services enterprises.

2.3 Sourcing of business functions

Sourcing

The total or partial movement of business functions (core or support business functions) by your enterprise. These functions were - prior to sourcing in the period from the beginning of 20[xx] to the end of 20[xx] - performed in your enterprise or they were domestically sourced to an enterprise in your enterprise group or contracted-out to an external enterprise, Your enterprise sourced these functions to enterprises within or outside (contract-out) of your enterprise group located either domestically or abroad.

Sourcing options for business functions



Sourcing does not include:

Expansion domestically or abroad; for example a set-up of a new production line domestically or abroad without a movement of business functions domestically or abroad (core or support business functions) nor reduction of activity and/or jobs in the concerned enterprise.

Domestic Sourcing

The total or partial movement of business functions (core or support business functions) your enterprise. These functions were - prior to domestic sourcing in the period from the beginning of 20[xx] to the end of 20[xx] - performed in your enterprise or they were domestically sourced to an enterprise in your enterprise group or contracted-out to an external enterprise. Your enterprise sourced these functions within or outside (contract-out) of your enterprise group located domestically.

Domestic sourcing does not include:

Expansion domestically; for example a set-up of a new production line domestically without a movement of business functions domestically (core or support business functions) nor reduction of activity and/or jobs in the concerned enterprise.

International Sourcing

The total or partial movement of business functions (core or support business functions) by your enterprise. These functions were - prior to international sourcing in the period from the beginning of 20[xx] to the end of 20[xx] - performed in your enterprise or they were domestically sourced. Your enterprise sourced these functions out of the country to enterprises within or outside (contract-out) of your enterprise group located abroad.

International sourcing does not include:

Expansion abroad; for example a set-up of a new production line abroad without a movement of business functions abroad (core or support business functions) nor reduction of activity and/or jobs in the concerned enterprise.

2.4 Moving business functions from abroad

Moving business functions from abroad is the movement of functions by your enterprise to [name of reporting country].

These functions have been moved **from** your affiliates abroad or from enterprises outside (contract-out) of your enterprise group abroad. They have been moved **to** your enterprise or to enterprises within or outside (contract-out) of your enterprise group in [name of reporting country].

International Back-sourcing

International back-sourcing is the movement of functions by the responding enterprise back into the country, which the enterprise has previously moved out of the country.

The functions have been moved **from** its affiliates abroad or from enterprises within or outside of the enterprise group abroad. They have been moved **to** the responding enterprise or to enterprises within or outside of the enterprise group in the country.

2.5 Geographical areas

EU-15: Belgium, Denmark, Germany, Greece, Spain, France, Ireland, Italy, Luxembourg, Netherlands, Austria, Portugal, Finland, Sweden, and the United Kingdom.

EU-13: Bulgaria, Croatia, Cyprus, the Czech Republic, Estonia, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia, Slovak Republic and Romania.

Other European countries: Switzerland, Norway, Turkey, Russia, Belarus, Ukraine and the Balkan states. In 4.3 optional and 6.3 second optional question Russia is a separate country and not among other European countries.

USA and Canada.

Central and South America including Brazil and Mexico. In 4.3 optional and 6.3 second optional question Brazil is a separate country and not part of Central and South America.

China.

India.

Other Asian countries (Japan, Korea, Vietnam etc.) and Oceania (including Australia and New Zealand).

Rest of world: countries not included elsewhere, e.g. Near- and Middle-East, and Africa.

Near and Middle East countries are in the residual category - rest of the world - unlike in the 2012 survey and in the Balance of Payments vademecum. The reason for this change is to have a more targeted grouping related to Asia as this region is the main target for international sourcing from the EU and the Near- and Middle-East are of less importance in this context.

The BoP vademecum, latest update of 9 December 2011 (Eurostat), is to be used as a general reference to place/allocate islands, countries and areas (not explicitly listed in the questionnaire or definitions) to geographical areas of the questionnaire.