

## BASQUE BUSINESS STRUCTURE AND DEMOGRAPHY Year 2002

## Number of companies grew 2.2% and employment rose 3.8% in the A.C. of the Basque Country in 2002

***Limited companies are the more dynamic enterprises, with important growth in number and employment.***

The number of industrial and services companies that carry out their activity in the A.C. of the Basque Country rose 2.2% in 2002, giving a total of 154,376 active enterprises, as reflected in the last update of the Directory of Economic Activities, carried out by the Eustat. 98.1% of companies have their head quarters in the Basque Country and 2,917 in the rest of the State, the latter employing 81,940 persons, 10.4% of the total.

Companies carry out their activity in 170,479 establishments (factories, shops, offices, ...) and employ 788,663 persons, with an average size of 4.6 persons employed per establishment and 5.1 persons employed per company. If we exclude companies whose owner is an individual the size of the business doubles, giving 9.4 persons employed per establishment and 11.6 persons per company. This data indicates a high level of atomisation of the Basque business network.

### Establishments and employment by activity branches. 2002

|                                     | A.C. of Euskadi |            |                |            | Alava         |            |                |            | Bizkaia       |            |                |            | Gipuzkoa      |            |                |            |
|-------------------------------------|-----------------|------------|----------------|------------|---------------|------------|----------------|------------|---------------|------------|----------------|------------|---------------|------------|----------------|------------|
|                                     | No.             | 02/01      | Jobs           | 02/01      | No.           | 02/01      | Jobs           | 02/01      | No.           | 02/01      | Jobs           | 02/01      | No.           | 02/01      | Jobs           | 02/01      |
| <b>Total</b>                        | <b>170.479</b>  | <b>2,1</b> | <b>788.663</b> | <b>3,8</b> | <b>22.237</b> | <b>2,4</b> | <b>128.340</b> | <b>3,7</b> | <b>87.097</b> | <b>2,3</b> | <b>394.206</b> | <b>4,0</b> | <b>61.145</b> | <b>1,8</b> | <b>266.117</b> | <b>3,6</b> |
| Industry and energy                 | 15.328          | 1,2        | 222.294        | 2,1        | 2.432         | 2,7        | 44.667         | 3,1        | 6.842         | 1,4        | 90.648         | 2,4        | 6.054         | 0,5        | 86.979         | 1,4        |
| Construction                        | 22.323          | 5,3        | 72.495         | 8,5        | 3.018         | 5,9        | 10.514         | 6,4        | 10.325        | 5,9        | 39.390         | 9,8        | 8.980         | 4,4        | 22.591         | 7,2        |
| Trade and repairs                   | 46.184          | 0,4        | 122.607        | 3,9        | 5.642         | 0,3        | 17.495         | 4,4        | 24.609        | 0,7        | 65.396         | 3,8        | 15.933        | 0,0        | 39.716         | 4,0        |
| Hotels and catering                 | 15.119          | 1,4        | 40.214         | 5,7        | 2.093         | 1,9        | 5.813          | 3,5        | 8.307         | 1,6        | 20.236         | 8,5        | 4.719         | 0,7        | 14.165         | 2,8        |
| Transport & communic.               | 15.245          | -0,9       | 45.213         | 3,5        | 1.822         | -1,6       | 5.684          | 6,2        | 8.065         | 0,0        | 24.640         | 1,3        | 5.358         | -1,9       | 14.889         | 6,2        |
| Banking, insur. & business services | 31.133          | 4,5        | 112.802        | 3,3        | 4.002         | 5,2        | 14.989         | 2,1        | 16.445        | 4,2        | 65.424         | 3,8        | 10.686        | 4,7        | 32.389         | 2,7        |
| Other act. services                 | 25.147          | 2,6        | 173.038        | 4,1        | 3.228         | 2,2        | 29.178         | 3,8        | 12.504        | 2,4        | 88.472         | 3,5        | 9.415         | 3,0        | 55.388         | 5,4        |

**Source: Eustat.**

Following the slow down in recent years, rates of net creation of establishments and employment started to rise again. The total number of establishments grew 2.1% with regard to 2001, the result of quite homogenous growth in the three Basque provinces. There was also growth in all the large sectors of economic activity, except Transport and communications in Alava and Gipuzkoa.

On the one hand, employment rose 3.8%, particularly in Bizkaia with a 4.0% rise. Since 1997 employment has grown in the Basque Country by 126,723 persons to an accumulated annual average of 3.6%.

The most dynamic branch of activity was Construction once again, with a growth rate in employment of 8.5% (+9.8% in Bizkaia). Also higher than the sector average of 3.8%, were Hotel and Catering with 5.7%, Other service activities with 4.1%, where Public administrations, health, education, social services and personal services are included and Trade and repairs, with a 3.9% rise.

62.6% of staff included in the directory are found in the services sector, followed by industry, 28.2%, and construction, 9.2%. The maximum structural employment in industry by provinces is found in Alava, where it affects 34.8% of employed personnel, followed by Gipuzkoa, 32.7%, and at some distance Bizkaia, 23.0%. This province is at the head in percentage of employed personnel in the services sector, 67.0%, and in construction, 10.0%.

The branch of services with highest employment was Other services activities, which employed 21.9% of all personnel, 173,038 persons. Second in importance was the branch of Trade and repairs with 122,607 persons, 15.5%, followed by Banking, insurance and company services, with 112,802 employees, i.e. 14.3% of total employment.

The structure by size of employment has hardly varied, even if we go back several years. In 2002, 128,128 establishments, over three quarters of the total, did not reach 3 work posts, although they only accounted for 19.2% of total employment. At the other extreme, the number of establishments with 50 or more employees came to 2,114, 1.2% of the total and accounted for 304,408 work posts.

## BUSINESS DEMOGRAPHY

The net balance between establishments that started up and those that ceased activities is 3,565. In terms of net creation of employment this represents an increase of 15,893 jobs, due to a higher contribution of employment in new establishments compared with the loss in closed establishments. Among the establishments that continued with activities there was also an increase in employment by 13,187 persons. As an overall result, economic activity represented the creation of 29,080 jobs.

### Demography of establishments. A.C. of the Basque Country. 2002

| By activity                         | Overall balance (2002-2001) |               | Por personalidad jurídica | Overall balance (2002-2001) |               |
|-------------------------------------|-----------------------------|---------------|---------------------------|-----------------------------|---------------|
|                                     | No.                         | Jobs          |                           | No.                         | Jobs          |
| <b>Total</b>                        | <b>3.565</b>                | <b>29.080</b> | <b>Total</b>              | <b>3.565</b>                | <b>29.080</b> |
| Industry and energy                 | 189                         | 4.622         | Natural person            | -1.027                      | -187          |
| Construction                        | 1.120                       | 5.675         | Partnership               | 385                         | 4.332         |
| Trade and repairs                   | 197                         | 4.647         | Limited company           | 3.781                       | 21.326        |
| Hotels and catering                 | 206                         | 2.175         | Others companies and assc | 579                         | 3.155         |
| Transport & communic.               | -133                        | 1.528         | Others legal forms        | -153                        | 454           |
| Banking, insur. & business services | 1.343                       | 3.564         |                           |                             |               |
| Other act. services                 | 643                         | 6.869         |                           |                             |               |

**Source: Eustat.**

The greatest rotation occurred with establishments created under the legal formula of Individual, which generate almost 55 % of new businesses and 73% of closed businesses. The overall balance, either due to closure or transformation into another legal status, fell by 1,027 establishments, with a loss of 187 jobs.

With an even larger increasing dynamism over the past few years, the Limited Company offered a positive overall balance of 3,781 establishments in 2002 and a net increase of 21,326 jobs, i.e. over 73% of all new employment generated. This legal status has doubled in employees since 1997, affecting 171,975 jobs in 2002. Therefore, its specific weight increased both in number of units and terms of employment, at the expense of the rest of legal statuses.

On analysing demography by activity, the branches of Banking, insurance and business services stand out, with 25.4% of all new companies and 21.9% of all closures, and Construction, 21.5% of new companies and 18.6% of closures, much higher proportions than their respective weights with regard to all the sectors. Bearing in mind also the possible changes in activity between establishments that remain, all activity sectors saw increases in numbers, with the exception of Transport and communications, which lost 133 establishments.

In terms of employment, the highest contributions occur in the sector Other services activities, which provide 23.6% of all new employment and Construction with 19.5%. The latter is significant again, as this contribution is considerably higher than would correspond from its specific weight among all the sectors put together (around 9%).

According to the size of establishments, the most dynamic is without doubt the stratum with 2 or fewer employees. This alone accounts for 81.3% of all new establishments and 88.0% of all closed establishments. In addition, it is the only group that loses establishments by changing stratum, as there are numerous promotions to higher levels of employment.

On the other hand, establishments with 50 or more employees, although more stable, contribute more new employment, due to both the positive difference between new jobs and lost jobs and the increase in employment among remaining establishments. Adding both factors together this stratum accounts for 7,443 new jobs, 25.6% of the total.

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