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# Foreign affiliates and productivity in EU countries

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This study examines the relationship between foreign affiliates and labour productivity in the construction and manufacturing sectors. Labour productivity is calculated using EUKLEMS & INTANProd database of the Luiss Lab of European Economics, while foreign affiliates abroad data are taken from Eurostat. With the help of data coming from 19 EU countries between 2010 and 2019, we demonstrate how turnover per employee in foreign subsidiaries controlled by the reporting country has a positive and significant impact on labour productivity in the construction sector only. Foreign direct investment from these European countries also has a positive and significant impact on labour productivity in both sectors. This study can be used by public decision makers to highlight fiscal elusive strategies and outline the real share of domestic and foreign productivity for industrial economic sectors by considering the impact of permanent establishments. Foreign affiliate in the framework of this work is not to be considered as a resident entity, over which a resident institutional unit has direct and indirect control. These results prove the exigence for structural business statistics to select the perimeter of the companies potentially interested in the phenomenon of foreign production with their local units not constituting separate legal entities. Both controlled enterprises and branches data concerning turnover and investments will be considered in this work to outline multinational groups and their operations with correlated entities.

## Type of presentation

Talk

## Classification

Both methodology and application

## Keywords

Globalization; Labour Productivity; Quasi-enterprises; Centre of economic interest; Operations with correlated parties

**Primary authors:**    Dr KANÉ, Abdoulaye (Research engineer at CSTB; Researcher affiliated with the Paris Nanterre University, EconomiX);  Dr FRENDA, Antonio (Italian National Institute of Statistics)

**Presenters:**    Dr KANÉ, Abdoulaye (Research engineer at CSTB; Researcher affiliated with the Paris Nanterre University, EconomiX);  Dr FRENDA, Antonio (Italian National Institute of Statistics)

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