

# **Employment Contribution of Private Equity and Venture Capital in Europe**

## Summary of results



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### **Main questions:**

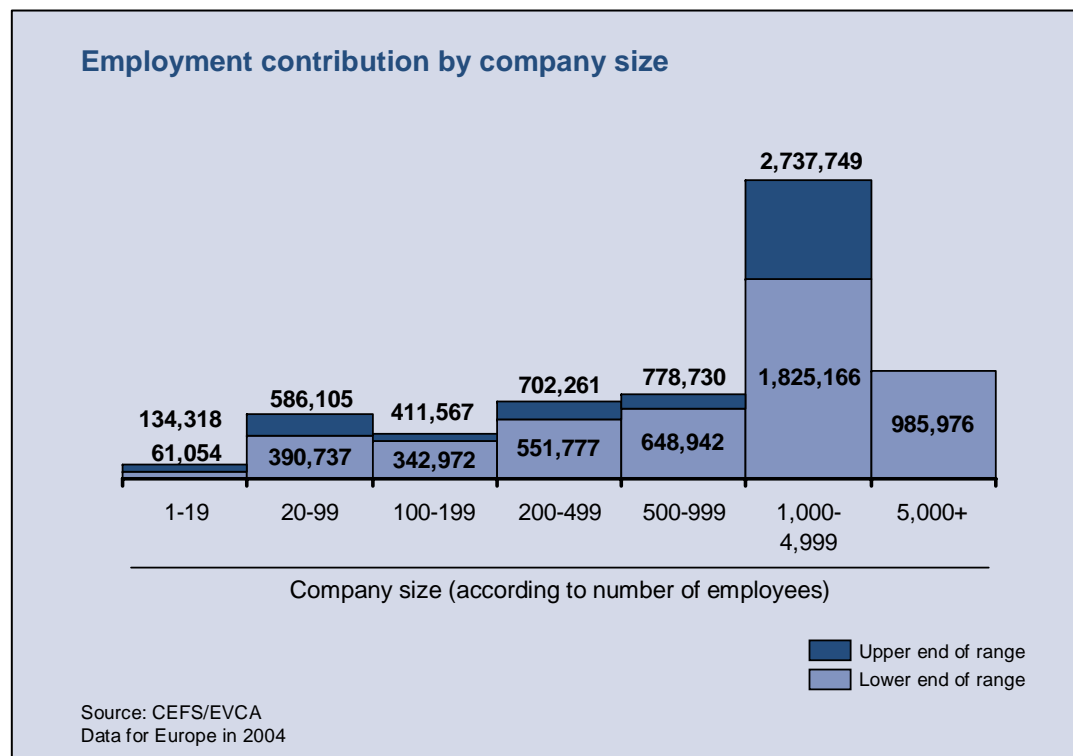
- How many people are employed in companies, financed through buyouts or venture capital in Europe?
- What was the development of employment in these portfolio companies?
- Were there any remarkable growth patterns among certain groups of companies?
- How do indicators of qualitative employment in venture-backed companies compare to European averages?

### **Methodology:**

- Over 1,000 early and later stage funds were asked to fill in an online-questionnaire
- Answers were received for 102 VC-backed and 99 buyout-financed portfolio companies
- Estimations for total universe were computed based on data from EVCA

## How many people are employed in buyout or VC-financed companies?

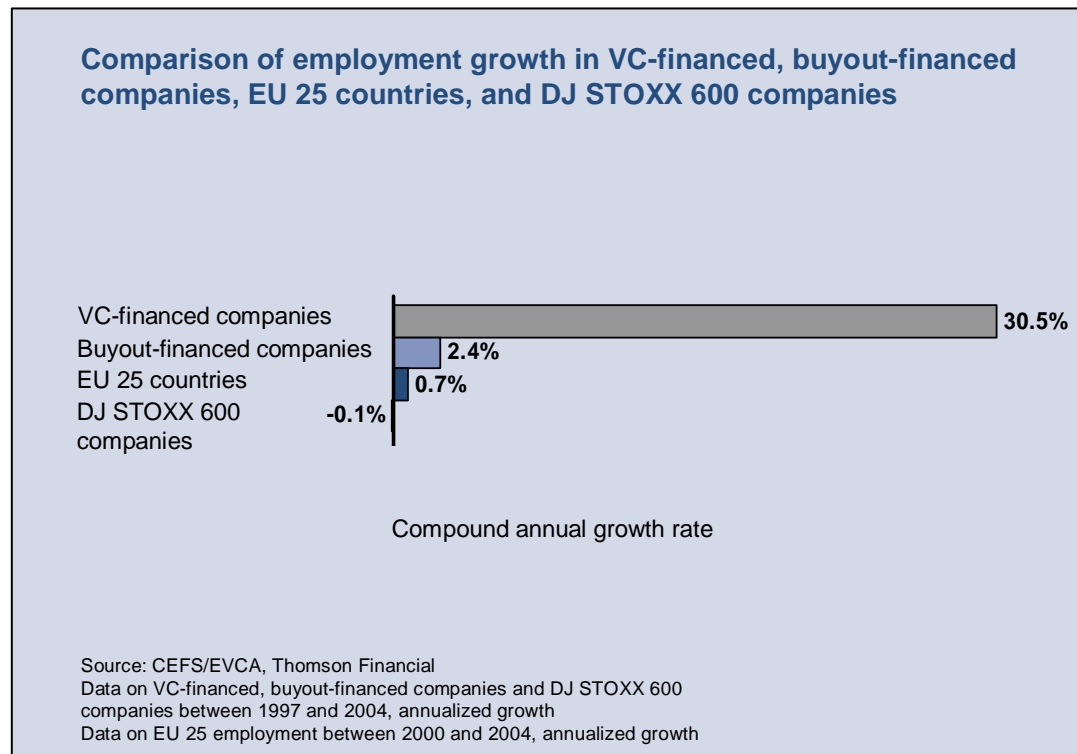
- Total employment in private equity and venture capital-financed companies is estimated between 4.8 - 6.3m
- This equals 2.4% - 3.2% of the economically active population in Europe (i.e. every 30th European works in a portfolio company)



- Large companies (supposedly buyout-financed) contribute the lion's share to employment in portfolio companies

## What was the development of employment in the portfolio companies?

- VC-financed companies increased their staff on average by 30.5% p.a. between 1997 and 2004. Thus, they created about 630,000 new jobs within this period.
- Buyout-financed companies grew on average by 2.4% p.a. They increased headcount by 420,000.



➤ VC-financed as well as buyout-financed companies grew significantly stronger than EU 25 average and DJ STOXX 600 companies.

## Employment growth in buyout-financed companies (1/2)

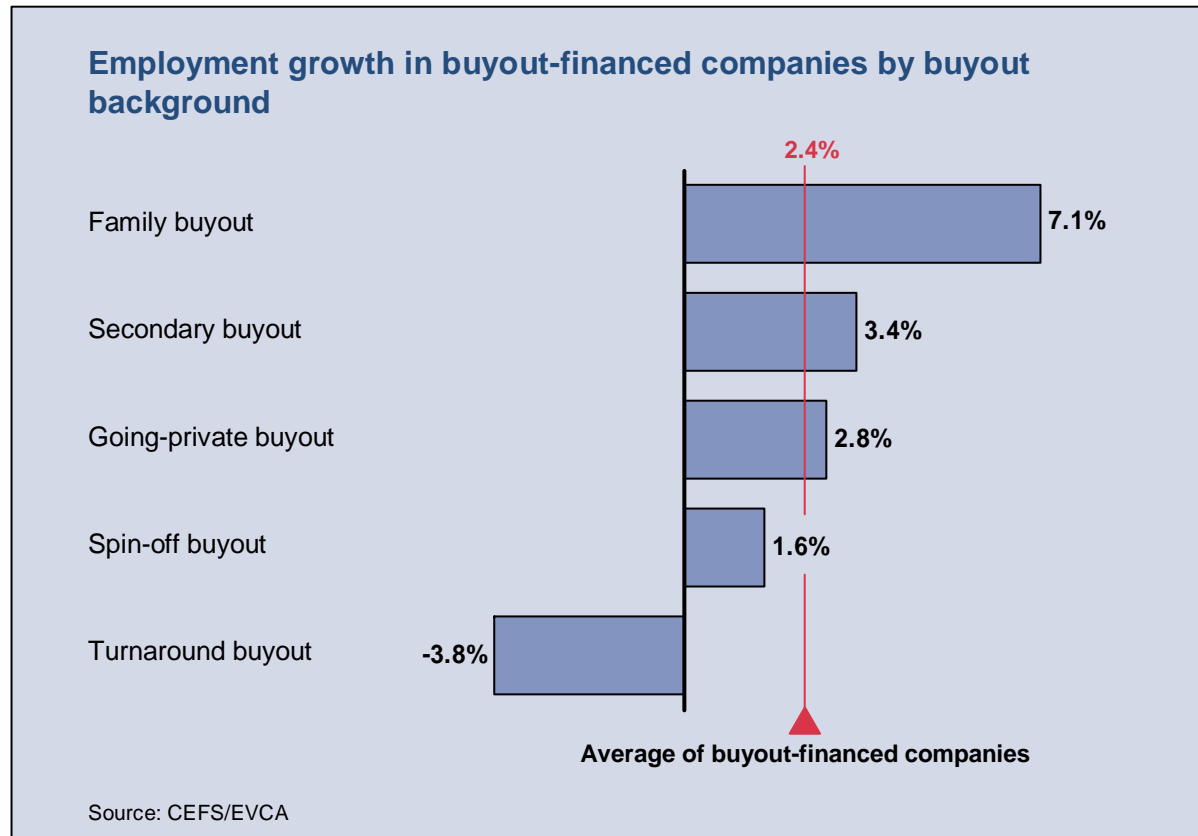
### Breakdown of buyout-financed companies according to employment growth

Average annual employment growth	No of companies	As percentage of total companies surveyed
More than 15%	3	3.1
10% to 15%	10	10.4
5% to 10%	19	19.8
0% to 5%	28	29.2
0%	4	4.2
-5% to 0%	18	18.8
-10% to -5%	10	10.4
Less than -10%	4	4.2

Source: CEFS/EVCA

- While some buyout-financed companies cut back on staff, two thirds increased employment (or kept it constant)

## Employment growth in buyout-financed companies (2/2)



- Buyouts in former family firms show considerable employment growth

## Employment growth in VC-financed companies (1/2)

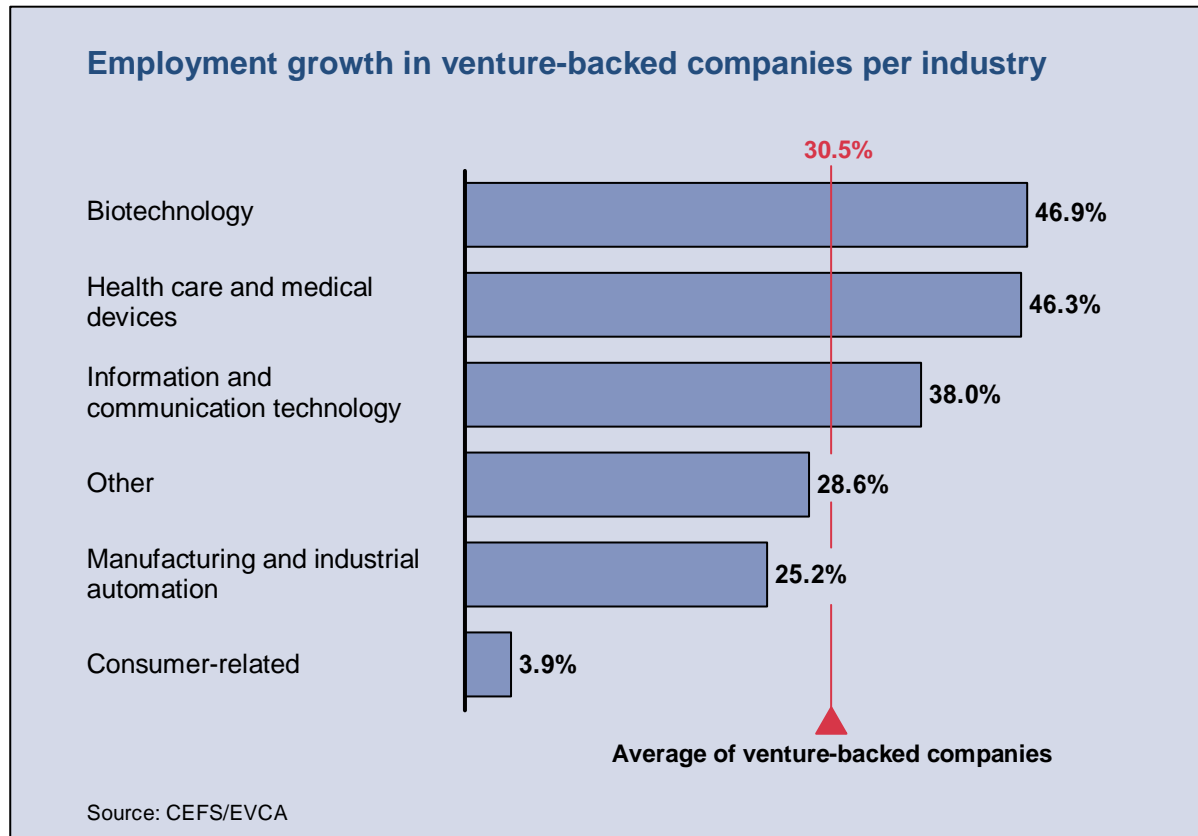
### Breakdown of venture-financed companies according to employment growth

Average annual employment growth	No of companies	As percentage of total companies surveyed
More than 100%	13	16.9
50% to 100%	23	29.9
25% to 50%	20	26.0
10% to 25%	8	10.4
0% to 10%	7	9.1
0%	4	5.2
Less than 0%	2	2.6

Source: CEFS/EVCA

- Virtually all VC-financed companies have increased their headcount

## Employment growth in VC-financed companies (2/2)



- Employment growth was strongest among companies in the industries of biotech and health care/medical devices



### **Human resources dedicated to R&D:**

- In the companies surveyed:
  - 33% of employees work in R&D
  - 26% of employees are researchers or engineers
- Biotech companies showed they highest committment to R&D with 74% of staff working in R&D

### **Investments into R&D:**

- Surveyed companies spend on average € 3.4m p.a. on R&D
- These R&D expenses equal € 50,693 per employee, which is significantly more than R&D expenses per employee in the 500 European companies spending most on R&D (€ 8,394)

**Thank you very much for your attention!**



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