

Voorburg 2002: Progress Report from UK

1. Classification of Service Products

The report on the previous Voorburg meeting contains information which is still relevant, particularly with the imminent implementation of SIC 2003:

It is widely acknowledged that, given their economic importance, the classification of service industries in ISIC (the UN's 'International Standard Industrial Classification of all Economic Activities') is insufficiently detailed and is out of date. This is also true of the EU's equivalent system, NACE, which is closely based on ISIC, and of our own SIC(92) which is legally required to duplicate NACE down to and including the 4 digit Class (the lowest level of detail in NACE).

In 1999 the United Nations Statistical Commission endorsed proposals for:

- A minor update of ISIC to be published in 2002.
- A more comprehensive revision to be published in 2007.

To coincide with this, Eurostat is carrying out a minor update of NACE to be published in 2003, originally intended for 2002, and a major revision in 2007 (Operation 2007).

Progress

Eurostat's 2003 update of NACE will include the introduction of twelve new 4 digit level Classes in the service sector, covering transmission and supply of electricity and gas, wholesale of computers, software publishing, call centres, refuse disposal activities and service producing activities of private households for own use. All changes resulting from Eurostat's update of NACE are legally required to be incorporated in UK SIC(92).

Simultaneously, the UK will add 34 new 5 digit level 'national' Subclasses in the service sector of UK SIC(92). These have been requested by UK trade associations and other users of the classification who have identified a need within the UK for more detailed breakdowns of existing Classes. They will be in the following sectors:

- wholesale and retail trade (12)
- supporting and auxiliary transport activities (4)
- financial intermediation (7)
- other business activities (9)
- recreational, cultural and sporting activities (2) ”

There has also been considerable progress with Operation 2007. Responses to a UN questionnaire distributed in the Autumn of 2001 and discussions with Eurostat have established general support for increasing the level of detail in services, possibly reducing the number of manufacturing headings at the same time. In the EU, consultation is being based on a structure produced by the Convergence Group (Canada, the EU and the United States) and known as the Convergence Scenario. It

remains to be seen how many of the specific proposals in the Scenario will survive the consultation process. The key possible effects for services are:

- the creation of an 'Information' sector, drawing together activity from many different parts of NACE
- new sectors for 'Professional, Scientific and Technical Services' and 'Administrative and Support services'. The Administrative and Support services' sector would have a major impact on NACE
- a new 'Repair and Maintenance' sector, bringing together repair and maintenance activity currently appearing in several different parts of NACE
- the introduction of separate classes for reinsurance
- moving part of the content of the current NACE 'Real Estate' division to construction

NACE would also be fairly significantly affected in the areas of: transportation and storage; hotels and restaurants; education; arts, entertainment and recreation; and public administration.

2. PPI for Services

The Corporate Services Price Index (CSPI) project continues to make good progress.

Price indices for 28 separate industries are published every quarter on an experimental basis. CSPIs for 3 more industries will be added within the next 2 quarters (hotels, rail freight and business rail fares). Development activity has continued for a further 11 industries with particular focus on price indices for computer services, advertising, accountancy, management consultancy and banking services.

In addition there has been a significant amount of work on a sub-project to rebase the CSPIs to the year 2000 and to develop larger, improved samples. Central to this sub-project was a survey of turnover (sales) by service category for all service industries covered by the CSPI, including those under development. The results of this survey are being used to calculate new weightings for each service category in each of the industry-level price indices. This is the first time that a survey like this has been attempted on such a scale in the UK.. Also the CSPI will be based on weightings that are consistent and much more representative of the industries concerned than before. The survey was successful and the rebasing work is progressing to timetable. Rebased CSPIs are due for release in mid-2003.

The turnover survey has an added use for the CSPI project. Enhanced samples for the quarterly survey of prices are being developed by selecting from its respondents. This should result in improved coverage for all currently published CSPIs. It also assists with sample design for those under development. It is anticipated that the total number of businesses surveyed every quarter for the CSPI project will double to almost 2,000 by mid-2003.

Nine CSPIs are currently used as deflators in the monthly Index of Services. A process for reviewing CSPIs' fitness for use as deflators in national accounts has been agreed and a further 8 CSPIs are being considered for inclusion in the IoS during the coming months.

3. Information Society Statistics

The UK is developing measures on Information Society statistics that cover:

- the ICT infrastructure and investment required to support electronic interaction;
- better measures of output of the ICT sector;
- improved coverage of e-commerce and other electronic processes between businesses and households;
- methodology for gauging the impact on business performance.

As in most other countries, attention so far has focused on business and household use, with relatively little progress so far in the area of e-government. The ONS programme of work was outlined at a workshop held in April 2002 on 'New Economy Measurement', the papers for which can be found on the ONS website at:

http://www.statistics.gov.uk/themes/economy/articles/general/papers_presented_2002.asp

In August this year, the ONS published the first group of results from the second official UK inquiry on e-commerce by business. The data were collected as part of the Eurostat E-commerce inquiry carried out by most EU countries. Sectoral coverage was a little wider in the UK and micro businesses (less than 10 employment) were covered for the first time. Other EU Member States have generally used cut-offs of 5 or 10 employment. The cut-off can make a large difference to results, particularly if analyses are presented in terms of numbers of businesses.

The August publication was exclusively devoted to the results of categorical questions. Release of data on the value of e-commerce sales and purchases will occur in October. The phased approach reflects the additional validation required for value data now that comparisons can be made between two years, and the focus for policymakers on identifying rates of growth. Definitional issues for the financial sector (for which the UK alone published value estimates covering 2000) are particularly difficult.

The ONS is also publishing every month an index of connectivity to the internet, showing the change in connections of various types as reported by Internet Service Providers. Quarterly data on household and individual access to the internet are also published.

The UK (ONS and DTI) is contributing actively to development of business and household/individual surveys in a number of international fora - including Eurostat, the e-Europe initiative, OECD. Development of a workable approach to collection of value data, particularly from the financial sector, is the most obviously difficult statistical issue. Collection of information on electronic business processes is seen as particularly important from a policy viewpoint. It is worth noting that the UK also has at its disposal the International Benchmarking Study, a telephone survey conducted for DTI (and not part of National Statistics). This can allow some issues to be explored in greater depth. The report on the 2002 study is due in Autumn

2002. In particular this year the study is investigating the link between the strategic and cultural climate of businesses and the effectiveness of their use of ICTs.

With help from other NSIs, the UK has been developing methodology and data to benchmark e-commerce development across leading national markets (the G7 plus Australia and Sweden). Methodology for measurement of outcomes, using a 'readiness / use / impact' adoption model was published in March. Results will be published in November, in collaboration with other UK government departments and accompanied by a comparison of policies for promoting the use of electronic processes in the business, household and government sectors.

ONS is also undertaking analytical work on microdata, to assess the impact of ICT use and e-commerce on business growth and productivity. This is being carried out in collaboration with the OECD initiative on ICT impact, and part funded by the EU as a pilot study to develop methodology in this area.

4. Demand for Services

European Initiatives

The UK is participating in a Eurostat pilot survey of methodological development and harmonised data collection on business services collecting information on turnover by client and turnover by product. During the first year, the survey covered computer services, NACE Division 72. In the second year, the survey will also cover other business services from NACE Division 74 and some results are expected in November 2002 with the final report on the pilot due in the Spring 2003. Another Eurostat development project on Demand for services: purchases and investments is planned and the UK will participate in the task force for this with the first meeting of the task force planned for Autumn 2002.

UK initiatives

The 2001 annual structural survey in the UK included questions collecting detailed purchases (demand side) information for all industries for the first time although only a subsample of the survey received these extra questions. This follows a 3 year development programme to extend this collection to the Distribution, Services and Construction industries to supplement the information for the Production sector which has been available for a number of years. The detail collected is relevant to the industry resulting in an industry specific form for most 5-digit industries and covers goods, energy products and services purchased.

5. Non-Profit Institutions

The UK does not have well developed statistics for non-profit institutions. A certain amount is available from a charity survey conducted in respect of 1994, updated since by information from the published accounts of charities. There are also some focussed exercises to get data from public sources on some categories of NPIs such as unions and political parties. These exercises enable some key variables to be estimated for non-profit institutions serving households (NPISH) in the national accounts.

A project is underway to develop a full NPISH account. This requires new data collection and will take some years to complete due to reduced resources and a lack of compliance cover (respondent load) for the inquiries. At present in national accounts the household and NPISH sectors are combined.

A Handbook of National Accounting: Handbook on Nonprofit Institutions in the System of National Accounts has been drafted and will be published by the UN shortly. The UK has no active work in hand to implement the handbook's recommendations. Preparing a full NPISH account will be a step towards it but full implementation will be a substantial project. Eurostat have inquired about implementation of the handbook but have not pressed for it to be done.

6. Sales by Service Products

The UK completed and published its first survey of computer services (NACE 72) in the summer of 2001. See http://www.statistics.gov.uk/downloads/theme_commerce/SERVCOM2000.pdf.

Since then the UK has taken stock of the position. There remains a strong demand to extend such collections into other areas of services (such as Telecommunications) and eventually to other service sectors. There are a wide range of potential uses of this detailed product information.

However, resource (and respondent load) constraints, in a period when ONS is concentrating on updating its statistical and IT infrastructure, mean that there are currently no plans to run more surveys.

Nevertheless ONS has been active on two related activities:

1. The Eurostat supported exercise to collect information on business services (see "demand for services" above).
2. A limited survey of around 40 service sectors to support the rebasing of CSPIs to the year 2000 (see "PPI for services" above).

7. Short-term Indicators for Services

Data are supplied quarterly to Eurostat for turnover in the service sector - this covers NACE 50,51,55,72 and 74 at about T+90 days. In the last proposed amendments to the regulation Eurostat are investigating the feasibility of collecting this data monthly at T+30 days. UK data are already collected monthly and could be sent within this timescale.

Currently data are not supplied for SIC(92) 6010, 6030, 6110, 6120, 6210, 6220, 6323 and 6411 (transport and postal industries) - this industries are not required for any of the UK indicators but are required by Eurostat. We are currently investigating whether these variables could be supplied from VAT data, if this is possible it is hoped that data will be supplied by the end of 2002.

8. Development of a Monthly Index of Services

Progress on developing the monthly Index of Services (IoS) has continued over the past year. The project aims to both produce a monthly indicator of change in gross value added of the service sector and to improve the quality of the quarterly estimate of service sector gross value added. Improvement to the quarterly estimate comes from having more source data available when it is first published (in the preliminary estimate of quarterly GDP - which is published after 3½ weeks) and from an industry-by-industry review of the indicators used to estimate gross value added.

Since December 2000 the experimental monthly IoS has been published on the experimental statistics area of UK's National Statistics web-site.

(See: http://www.statistics.gov.uk/press_release/Experimental.asp). Details are published for Total Services and for five broad industry categories: Distribution, Hotels and Restaurants, Transport and Communication, Business Services and Finance and Government and Other Services. The monthly distribution component is also published on its own right as the Index of Distribution, and this has had full status since the experimental label was dropped in May 2001.

Progress

In January 2002, the publication of the experimental IoS was speeded-up to 9½ weeks (from 13½ weeks).

In terms of developing the IoS, an industry review process has been put in place, whereby the data sources and methods are reviewed on an industry-by-industry basis. The first set of reviews covered the motor trade and wholesale, and the new methodologies were introduced in June 2002.

The review process has since looked at the following industries:

- computer services
- retail
- post and telecommunications (in progress)
- hotels and restaurants (in progress)
- other business services (in progress)

These reviews should be implemented in September 2003. It is planned that the whole of the service sector will be covered by this program. The outcome of review will be published on the ONS website. The first two industry review reports are currently available for download from

(http://www.statistics.gov.uk/themes/economy/Articles/ShortTermIndicators/IoS_Met_hodology/future_improvements.asp)

The other main area of progress on the IoS project has been the publishing of the methodology of the IoS. The documentation comprises of the following sections:

- Conceptual Basis
- Index Construction
- Source Data
- Time Series Methods
- Quality Assurance
- National Accounts
- Future Improvements
- Annexes - covering forecasting, interpolation, seasonal adjustment methodologies

The documentation can be found at <http://www.statistics.gov.uk/iosmethodology>

Future plans

It is planned to speed-up publication of both the IoS and IoS by a further week by the end of this year to around 8½ weeks. As well as this, the industry review programme will be ongoing with the intention of reviewing the whole service sector. The development programme is expected to continue for another 2-3 years.