

## **Services Statistics: International Development Work and Coordination - Towards a Strategic View**

### **A Discussion Paper**

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### **Introduction**

At the request of United Nations Statistics Commission in 2002, the Australian Bureau of Statistics (ABS) submitted a report<sup>1</sup> to this year's (2003) UNSC meeting on the statistics of services. This report identified considerable progress in the measurement of services over the last twenty years<sup>2</sup> with a wide range of current activities and active groups. Given continuing development needs, two key issues, that ABS identified, were:-

- how current coordination mechanisms could be made more efficient to avoid duplication of effort, identify and ensure coverage of essential issues,
- communicate conceptual/methodological outputs to all countries that need them.

The UNSC in March 2003 invited OECD to assist it by coordinating development work on services statistics that is being undertaken by international organisations and international expert groups. An important initial aim would be to develop proposals on a **strategy for services statistics** to be discussed at the 2005 UNSC meeting.

This paper then seeks the input of Voorburg Group members and others on the substance and process of developing a strategy for service statistics. Key questions are identified at the end of the paper.

### **The ABS report in summary**

The ABS paper reviewed international work concerning conceptual development and practical measurement issues in the field of services statistics. The paper considered work undertaken, by various international groups and organisations, on classification of services and products, price indexes for services, international trade in services, and short-term indicators of services activity. Conceptual and measurement issues in some emerging cross-cutting areas such as information and communication technology (ICT), knowledge-based economy, innovation, globalization, and non-profit institutions were also covered.

ABS concluded that there are many worthwhile initiatives that have been completed in recent years, or are currently underway, which will significantly improve the cause of services statistics internationally. Pleasing progress has been made by international agencies, taskforces

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<sup>1</sup> E/CN.3/2003/12

<sup>2</sup> (Comment: 20 years is about the length of time the Voorburg Group on Services Statistics has been working)

and other expert groups. This paper highlighted, however, a number of areas where we might look to improve our collective efforts.

The main questions identified and summarised by ABS are:

- Whether the international statistical community needs to increase the priority of, and resources devoted to, services statistics. For instance, establishing the concepts, frameworks and techniques required for the measurement (including classification) of service activities in the economy, expanding measures of international trade in services, specialised sectoral work on, for example, tourism, ICT, health, education. Whether there is also a need to review associated data collection activities, by international organisations, for analytical purposes to better reflect the economic importance of services. If more work is to be done, then what work should be undertaken and who should do it?
- Whether current co-ordination mechanisms could be made more efficient. What mechanisms could be put in place to ensure that the large number of expert groups looking at different aspects of service statistics work in a coordinated way to avoid duplication of effort and to ensure more coverage of issues? Should there also be greater membership of expert groups (from countries) outside Europe and North America? How can their agreed conceptual or methodological outputs be best communicated to all the countries that need them (e.g. via an international agency creating a web page with links to current work)?
- Given the importance attached to extending the range of service statistics by national governments, especially measurement of trade in services and services output, how might the provision of practical measurement guidance to developing countries be coordinated?

### **Conclusions of and Actions taken by the UN Statistics Commission 2003 with regard to the Services Programme**

The Commission in its report:

- welcomed the comprehensive report on service statistics activities prepared by the Australian Bureau of Statistics;
- noted the wide variety of activities related to services statistics carried out by a large number of city and expert groups and voiced general support for these activities;
- emphasized that the participation of developing countries in these expert groups needs to be facilitated;
- noted the strong need for a project management approach and coordination of work in services statistics and suggested that the OECD take the lead in this regard;
- agreed that this coordination function should not be carried out by existing city groups, whose work should remain focused on methodological issues;
- noted that such a coordination function would include a continuous overview of activities carried out, ensuring and facilitating communication between the different groups

involved, and identifying overlaps, links and gaps in the work on data-collection and methodological issues, as well as setting priorities for work on services statistics;

- encouraged the provision of a single annual report on the work undertaken by the various expert and city groups on services statistics and requested that this report be submitted to the Commission;
- suggested that the future work on implementation of the Manual on Statistics of International Trade in Services<sup>3</sup> should focus on improving the quality of data, rather than introducing more detailed statistics.

### **What then could be OECD's rôle?**

The challenge set by the UN is an ambitious one. In order to make it feasible, the scope of the coordination exercise needs to be well-defined and focused. OECD is well placed to play some sort of coordination role in this field, as it has a variety of very active expert groups tackling many of the key issues in services statistics and participates in other relevant groups. OECD has a demonstrated capacity to tackle cross-cutting issues effectively in a horizontal manner. The closeness of policy work to statistics in OECD continually informs decisions on statistical priorities and more recently, with the creation of The High Level Statistics Group, direct input of heads of statistics offices can assist the development of a strategic view. On the other hand, while OECD works with many developing countries it does not represent them and may need assistance from others in finding necessary contacts. Also the OECD staff resources that can be devoted to this exercise are very limited.

The coordination process must be administratively light, practical and relevant to all the participant organisations, groups and individuals. It should include the creation of a central information point for services statistics. While OECD may seek to coordinate, it cannot attempt to manage the work of expert groups or other international organisations. Progress can be made only on the basis of consensus and goodwill.

Key international groups working on **services** include:-

1. Voorburg Group on Services Statistics - main umbrella group for services methodological development (Chair Magali Demotes-Mainard INSEE France)
2. UN Expert Group on Social and Economic Classifications - Technical Sub-group (Chair of TSG: Paul Johannis Statistics Canada)
3. UN Interagency Task Force on Statistics of International Trade in Services (Chair Bill Cave OECD)

Relevant OECD expert groups include (with contact name):-

4. OECD-Eurostat TF on Service Producer Price Indices (Seppo Varjonen)
5. Short-term Indicators for Services Task Force (Eun-Pyo Hong)
6. OECD-Eurostat Expert Group on Trade-in-services Statistics and the International Trade Statistics Group (Andreas Lindner/Bill Cave)
7. Working Party on Indicators of the Information Society (Andrew Wyckoff/Sheridan Roberts)

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<sup>3</sup> Statistical papers, No.86 (United Nations publication, Sales No. E.02.XVII.11).

8. National Accounts Expert Group (François Lequiller)
9. National Accounts TF on Financial Services (Paul Schreyer)
10. National Accounts TF on Non-Life Insurance (François Lequiller)
11. Statistical Working Party of the Tourism Committee (Alain Dupeyras)
12. OECD network of experts on National Health Accounts (in charge of implementation of the OECD manual "A System of Health Accounts") (Manfred Huber)
13. Statistical Working Party of the Committee on Industry and Business Environment (SWPCIBE) - (Dirk Pilat)
14. Globalisation Experts of the SWPCIBE – (Thomas Hatzichronoglou)
15. National Experts on Science and Technology Indicators (NESTI) –(Dominique Guellec)

#### OECD Strategy Group

16. OECD High Level Group on Statistics – (Enrico Giovannini)

There are a number of other international groups whose work is in part very relevant to services statistics including:-

17. Roundtable on Business Survey Frames
18. UNECE/OECD/Eurostat Steering Group on Business Registers
19. Eurostat Steering Group on Structural Business Statistics
20. Ottawa Group on Prices
21. Delhi Group on Informal Economy
22. IMF Balance of Payments Statistics Committee
23. Canberra II Group on the Measurement of Non-financial Assets

These lists are far from being exhaustive, especially beyond the OECD. Are there other important groups that should be included? The question arises as to how wide one should cast the net on such groups. What is the scope of services statistics in this context? While services is a cross-cutting theme, particular problems relate to the definition of services activities and products, the measurement of services output in both current and constant prices, international trade, employment, measurement of new dynamic or problematic service activities and products are in scope; as is data collection and dissemination.

#### **OECD's rôle - proposals:-**

A simple light and feasible approach to coordination could be achieved, if we could identify issues and 'contact persons', who would normally but not exclusively be from OECD, and for each 'contact person' to:

- a) undertake to provide a brief report of progress/issues/new outputs annually for Voorburg Group and UNSC, as well as coordinate, where possible, with other non-OECD expert groups working in similar areas;
- b) maintain (where appropriate) a webpage with outputs and information about the work and outputs of the expert groups/url links to any other groups working in a similar area
- c) contribute to ideas and proposals on services statistics strategy.

OECD Statistics Directorate would call for and integrate these reports into one annually for Voorburg Group and UNSC. An important task in 2004 would be development of a strategy discussion paper for the UNSC. OECD would create and maintain a central web-page on services

statistics with issues/news/documents and links. The scope of the coordination work and form of reports would need to be further discussed. This would be done in consultation with the OECD contacts, UNSD, the Voorburg Group, the OECD High Level Group and other participating international organisations.

### Principal services measurement issues

Significant progress has been made over the past twenty years in the measurement of services. Important examples include the development of the Central Product Classification (CPC), SNA 93, the third revision of International Standard Industry Classification, the 5<sup>th</sup> Balance of Payments Manual of the IMF, Eurostat’s Handbook on Prices and Volume Measures, and The Manual on Statistics of International Trade in Services. These have set out basic concepts, definitions, frameworks and international standards for describing services and compiling statistics. There is widespread agreement in many areas about how services activity should in theory be measured but practice is much more complex, varied and often inadequate.

Apart from the development of a strategy for international work on services, there appears to be a broad consensus on certain basic measurement questions relating to services that need to be answered by economic statisticians.

These include the very fundamental problems such as:

- What is the real output of services? (This is the basic question that was put to the Voorburg Group in the 1980s). This can be broken down into a number of component problems including: how to classify service products and activities; what is the size and structure of the services sector, how to measure current price services output and inputs; how to deflate the output etc.)
- How to measure international trade in services
- Problems related to surveying service activities

More specific problems could include: developing country issues, employment issues, sectoral issues including the public sector, policy relevant issues, analysis of relationships between services and the rest of the economy, and special issues such as how to assess the quality change of services provided.

**Table 1 Summary of services measurement issues**

Main Issue	Description	Sub-issue
1	Service statistics strategy	
2	Measurement of real output of services	Classifications of Activities/Products
		What is the size and structure of the services sector?
		Measuring current price output and inputs i) turnover/value added by activity ii) turnover by product iii) purchases iv) labour v) capital

		Measuring services prices (deflation of services output)
		Short-term Service Output Indicators
		Estimation of real services output in national accounts
3	Measuring international trade in services	Balance of payments trade in services
		Foreign affiliates trade in services
		Mode 4 trade in services
		Trade indicators
4	Surveying service activities	Business registers
		Statistical units
		Business statistics
5	Other policy relevant cross-cutting issues	ICT and Information Society Statistics
		R&D Statistics
		Innovation statistics
		Science and technology indicators
6	Specific sectoral issues	e.g. Tourism/Financial/ Insurance/Health/Public sector
7	Specific Developing Country issues	Disseminating methodological work
		Technical assistance – expert networks
		Informal economy
		Non-observed economy
8	Special measurement and analytical issues	Measuring quality change of services
		Voluntary unpaid services
		Non-profit institutions
		Analysing the relationship between services and the rest of the economy

We would need to agree a list of contact/reporter/coordinators and their responsibility areas.  
An initial proposal would be:

**Table 2 Draft matrix of groups, issues and contacts**

Main Issue	Sub-issue	Comment/url	Data Collection	Groups	Proposed Contact Person
1 Service statistics strategy				OECD/HLG Voorburg Group	Enrico Giovannini/ Bill Cave OECD Magali Demotes-Mainard INSEE
2 Measurement of real output of services	Classifications of Activities/Products			UN/TSG Voorburg Group	Ralf Becker UNSD Paul Johanis Statistics Canada
	What is the size and structure of the services sector?		OECD, Eurostat		Andreas Lindner OECD Paul Feuvrier, Inger Öhman Eurostat

	Measuring current price output and inputs i) turnover/value added by activity ii) turnover by product iii) purchases iv) labour v) capital		i),iii),iv) v) UN, OECD, Eurostat		
	Measuring services prices (deflation of services output)	Services PPIs		Voorburg Group; OECD-Eurostat Services PPI Group	Irwin Gerduk BEA Seppo Varjonen OECD
	Short-term Service Output Indicators		OECD in part	OECD/STIS-TF	Eun-Pyo Hong OECD
	Estimation of real services output in national accounts		UN, OECD, Eurostat	OECD/National Accounts Experts	Charles Aspden OECD
3 Measuring international trade in services	Balance of payments trade in services			OECD-Eurostat Expert Group on trade-in-services statistics; UN Interagency TFSITS	Bill Cave OECD
	Foreign affiliates trade in services	Part of indicators of economic globalisation		OECD Globalisation experts	Thomas Hatzichronoglou OECD
	Mode 4 trade in services			UN TSG on Mode 4	Ivo Havinga UNSD
	Trade indicators			OECD ITS Group	Andreas Lindner OECD
4 Surveying service activities	Business registers	<a href="http://petra1.istat.it/17roundtable/index3.htm">http://petra1.istat.it/17roundtable/index3.htm</a>		Round Table on Business Survey Frames  UNECE/OECD/Eurostat Steering Group on Business Registers	Andreas Lindner, Denis Ward OECD
	Statistical units			ditto	?
	Business statistics*	Analytical issues related to services	OECD Eurostat	Eurostat Steering Group on Structural Business Statistics; OECD SWPCIBE	Dirk Pilat, Andreas Lindner
5 Other policy relevant cross-cutting issues	ICT and Information Society Statistics		OECD, Eurostat	OECD WPIIS Voorburg group	Sheridan Roberts OECD Lea Parjo Statistics Finland
	R&D Statistics	Frascati Manual	OECD, Eurostat	OECD NESTI	Dominique Guellec OECD
	Innovation statistics	Oslo Manual	OECD, Eurostat	OECD NESTI	ditto
	Science and technology indicators		OECD	OECD NESTI	ditto
6 Specific sectoral issues	Tourism/Financial/Insurance/Health/Public sector		WTO OECD	Various	
7 Specific developing country issues	Technical assistance and access to information				Paul Schreyer OECD
	Informal Economy			Delhi Group	?
	NOE				
8 Special measurement issues	Assessing quality change of services			Voorburg Group Services PPIs	?
	Voluntary unpaid services				?
	Non-profit institutions				?

N.B. The outputs, existing and planned, of groups should be elaborated.

### **Developing a strategy for services statistics:**

In addition to reviewing current data availability and development work, any attempt to take a strategic view on services statistics requires some assessment of data users and their analytical needs. Users may include central banks, national accountants, trade analysts/negotiators, ministries of finance and industry, economic forecasters, business, and academia. It would take into account user needs with sectoral interests such as health, education, tourism, financial services, audiovisual services etc., but only insofar as there is a need to make comparisons across sectors.

### **Proposed timing**

1. A consultation paper on services coordination and strategy development proposals to be prepared by August for Voorburg Group and Interagency Trade in Services Task Force meetings in October 2003. This is to be copied to heads of statistics in the main international organisations including the UN regional organisations, asking for their comments and availability to cooperate in this coordinating effort.
2. OECD plans to set up web pages by October 2003 devoted to international work on services statistics with statistics, information and links to pages of relevant international groups. When this is done UNSD will be invited to consider establishing some links on its website.
3. By end 2003:
  - a. seek to identify any other important areas of services work currently with limited or no OECD participation;
  - b. consider services related data collection both current and planned;
  - c. develop a matrix of services themes, expert groups, contacts, strategic issues and other useful summary information.
4. OECD plans to work closely with UNSD, the Voorburg Group and the Interagency Task Force Statistics of International Trade in Services. OECD would like to establish an email group of key services statistics contacts in the other international organisations and groups regarding this project.
5. Revised services coordination and progress paper for UNSC and HLG in March 2004
6. Since UNSC has given OECD a mandate for this project, OECD assumes that a report is expected. Given the relatively short time remaining before UNSC 2004 and given the need to consult widely, we propose to present a report on progress on these activities and plans to the UNSC 2004, possibly based around a refinement of the proposed paper for the Voorburg Group.
7. In 2004 OECD will prepare a services strategy consultation document to be presented to a representative range of relevant expert meetings.

8. While in 2005 OECD would prepare and present to the UNSC a paper setting out international service statistics activities, identifying important gaps or duplication of effort, and any proposals for a strategy on future work and its organisation.

**Voorburg Group Delegates are invited to consider the following questions:**

- 1 Does the Voorburg Group agree that a single report on services statistics be prepared for UNSC in cooperation with OECD and TFSITS?
- 2 Do you agree with the measurement issues identified in table 1? Should any be added or removed?
- 3 Are there other relevant active international groups working on services statistics that should be added to table 2? (should any be removed)?
- 4 Are the right contact persons identified or should others be added? (please supply email addresses with contact names)
- 5 Is the proposed cooperation/consultation process realistic, appropriate and adequate? If not please say how it could be improved?
- 6 Do you agree with the approach of consulting different expert meetings or does there need to be a special meeting called?
- 7 By what means could the participation of a wider range of countries and especially developing countries in expert groups on services statistics be improved?
- 8 What other information on services activities would be useful?
- 9 Please provide any other comments you may have on the paper.

**Comments or questions can be sent to [std.servstat@oecd.org](mailto:std.servstat@oecd.org)**

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