

VOORBURG GROUP 2004

OECD PROGRESS REPORT ON SERVICES STATISTICS

Services Producer Price Indices

The OECD co-hosts the Joint OECD-Eurostat Task Force on Services Prices in Short-Term Statistics that was established at the Voorburg Group meeting, 2002. The TF has had five meetings to date. The work is closely connected to the development of an EU regulation by setting priorities to develop various PPIs. In 2004 the TF started to draft a **guide** for the compilation of PPIs for services. Rather than developing methodology the TF profits from the work carried out under the auspices of the Voorburg Group. The guide will supplement the recently finalised PPI Manual, which covers goods and services, in the area of services by discussing various compilation practices industry by industry. The first draft of the guide will be circulated to countries for comments in the next few months. Information on the TF can be found in the OECD website at

http://www.oecd.org/document/43/0,2340,en_2649_34355_2727403_1_1_1_1,00.html .

On the OECD website, information on the national collection of services producer prices has been updated to correspond the situation in summer 2003. Results of the ongoing 2004 survey will be shortly available and will be incorporated in the inventory before the end of the year. The website has undergone some modifications but more substantial development work will be launched in 2005 to make the website more user-friendly.

In our view Services PPIs remains a prime area that the Voorburg Group can contribute to development.

Classification of service activities and products

OECD participates actively in the work of the United Nations Technical Sub-group on Classifications. Developments in 2003-2004 relate to an agreed ICT Goods (in HS) and ICT Services Product lists (proposal for revision of CPC) see the section on Information Society Statistics. OECD Health Analysts have also submitted proposals for health activities in the revision of ISIC, based on the International Classification of Health Activities.

Improving services product nomenclatures and promoting their use in business statistics should remain an important long-term aim for the Voorburg Group

Information Society Statistics

Introduction/background

The OECD's Working Party on Indicators for the Information Society (WPIIS) has been addressing the need for international standards for Information and Communication Technology (ICT) statistics since 1997. Since its inception, the WPIIS has emphasised ICT production and consumption statistics, with the following standards now in place:

- a classification of the ICT sector
- a classification of ICT goods
- definitions of e-commerce transactions (Internet and all computer-mediated networks)
- model questionnaires covering ICT use and e-commerce by businesses, households and individuals.

Main activities of WPIIS in 2004

- Substantial progress has been made on development of a classification of ICT services (to complement the goods classification finalised in 2003). The proposal from Statistics Canada is based in part on the North American product classification (NAPCS) and is expected to be taken into account for the 2007 CPC revision. If the UN approves the WPIIS recommendations and incorporates the changes into the CPC, an ICT Services definition will be submitted to ICCP for declassification next year or the year after.
- The 2004 meeting approved a revised outline for a guide on information society measurement. The Guide will serve as a repository for the statistical guidelines produced by WPIIS and will also include metadata information on Member and non-member country work in the field of ICT statistics. It will form a major OECD contribution to the work programme established after the World Summit on the Information Society (WSIS) and is expected to be completed by the next WSIS meeting in 2005.
- Both the OECD model surveys of ICT Use by Businesses and Households/Individuals are being revised during 2004. The aim is to improve harmonisation with European and other member countries' ICT usage surveys, as well as re-orient the surveys towards areas of high policy-relevance such as digitised products, mobile access, IT security, e-business and e-government. A preliminary revision of the household/individuals survey was presented to WPIIS in May 2004 with the goal of finalising the changes by the end of 2004. A preliminary revision of the business survey was also presented in 2004, with revisions likely to be implemented in two stages. The first stage would see incorporation of a large number of "updating" revisions and possibly some new material (for instance, IT security) by the end of 2004. The second is to incorporate remaining new material, including a module on e-business processes for the 2005 meeting.

The main issues and challenges facing WPIIS

There are many statistical issues and challenges in the Information Society field. The short to medium term work program includes tackling a number of these as follows:

- further progressing the proposals listed above
- finalising a classification of ICT services
- making progress in new areas including digital content, privacy, trust and security; this work will involve data compilation from a variety of sources as well as conceptual work such as framework development.

Suggestions from the Voorburg Group for other areas of future work would be welcomed.

Short-term Indicators of Services

OECD Short-term Economic Statistics Working Group's Task Force on Services met in June 2004. A primary aim of the TF is to prepare a Manual on Indices of Services Production (ISP). This is progressing and the preparation schedule is as follows:

- Sep 2004 - 19th Voorburg Group meeting: To present the prototype of the ISP Manual
- Feb 2005 - 3rd meeting of the Task Force on services: the 1st draft ISP manual [to complete sections B, C and D of the manual]
- Jun 2005 - 4th STESWG meeting: the 2nd version of the draft ISP manual [to complete sections A through E]
- Oct 2005 - OECD's NA meeting and 20th Voorburg Group meeting: To present the draft ISP manual

- End 2005: To prepare a final version of the ISP manual to be approved by the OECD committee on Statistics [to complete section F and annex]

ISP work is being coordinated with the Joint OECD-Eurostat Task Force on Services Prices in Short-Term Statistics.

Periodicity

There is a consensus that the monthly frequency is preferred. However, for practical reason, (resources in particular), it is not always easy to collect data on a monthly basis. Therefore it is agreed that the Manual should consider both monthly and quarterly periodicity.

Sectoral Coverage and Distinction between Market and Non-Market activities

There is a consensus that this distinction is relevant, however, opinions vary regarding the necessity to compile an ISP for non-market activity.

Distinction between the ISP and national accounts

The objective of the ISP as defined by the Task Force is to have an indicator for services that would be comparable with the IIP. For UK and Canada, that have already developed an ISP, however, the ISP is integrated in the national accounts framework.

In any case, participants agreed that the relation between the monthly ISP and the National accounts should be clearly explained in the Manual.

Business Statistics

OECD DSTI are preparing a services statistics workshop on 15-16 November in Paris in cooperation with the European Commission. Themes covered include:

- *Overview of OECD work on services.* This introductory session will give a brief overview of OECD work and available statistics on services, notably as regards structural business statistics, detailed industry data from national accounts, as included in the STAN database, and producer prices for services industries. The session will also give a brief perspective from the OECD of the main challenges for services measurement.
- *Measuring the integration of manufacturing and services.* A particularly important issue in the context of the growing role of services concerns the interaction between different sectors of the economy, and the ways in which these interactions could potentially be measured. Input-output tables offer one option, but they are not always available at a level detailed enough to address questions regarding the evolving nature of supply chains. Firm-level data might also provide helpful insights, as they might enable an analysis of the changing distribution of enterprises value added or employment disaggregated by sector on the basis of its establishments. This would obviously be helpful in examining how much manufacturing value added originates from service activities or how much services value added originates from manufacturing activities. A third approach is to use data on occupations, which can show the changing composition of the services and manufacturing workforce.
- *The measurement of output and productivity in services.* Measuring output and productivity in the services sector remains a key challenge for all countries. Many official measures point to negative or poor productivity growth in key parts of the services sector, despite evidence of a growing dynamism in many parts of the services industry. Better measures are being developed in some OECD countries and it would be useful to use the workshop to discuss and highlight new and innovative approaches to productivity measurement in services. The session will focus in particular on one important sector that accounts for much of the variation in productivity growth across OECD countries, namely retailing.

- *Micro perspectives on the services sector.* Available firm-level statistics demonstrate that most growth of new firms and new jobs occurs in the services sector. Growth is also driven by the allocation of resources from high to low productivity firms within the services sector. This session will highlight new and innovative statistical and empirical work with firm-level data that is currently underway across OECD countries and their implications for our understanding of growth in the services sector.
- *Explanations for the growing share of services and the differences across OECD countries.* The final session of the workshop will discuss why OECD countries differ in the contribution that services make to their economy. This topic will feed into OECD's analytical work on the services sector.

In response to a strong analytical need for more internationally comparable business statistics OECD STD have set up an EDG Task Force to examine together with national experts commonalities and differences in structural business statistics between European, N American and Asia-Pacific member countries.

This group has been set up in response to the strong Ministerial Mandate received from the 2nd OECD Conference of Ministers for SMEs (Istanbul, June 2004) and is looking at reporting units, variables, classifications and size classes. It covers both annual Structural Business Statistics and Business Statistics by Size Classes as well as industry and services in terms of sector coverage. The aim is to develop target definitions and recommendations to improve future cross-country comparability.

The follow-up to the 2nd OECD SME Ministerial Conference, issues explored by the Task Force so far as well as a proposal for a possible scoping study to enhance the statistical basis for entrepreneurship will be presented at the forthcoming OECD SWIC meeting on 17 November 2004. *This is a relatively understudied comparative methodological area that the Voorburg Group may wish to consider incorporating in some way into its programme.*

SNA 1993 update

OECD chairs and convenes the Inter-Secretariat Working Group on National Accounts, which is responsible for leading the updating work on SNA 93. Its Advisory Expert Group has approved a proposal to refine the definition of insurance and reinsurance output. It has also reviewed provisional recommendations made by the OECD Task Force which is addressing the measurement of the output of financial services. Full information on the issues being considered for the SNA update and progress can be found at <http://unstats.un.org/unsd/nationalaccount/snarev1.htm>

The OECD Task Force on Financial Services is leading work to improve the definition of the output of financial services, and the price-volume split of financial and insurance services to obtain a better measurement of these services in terms of current and constant prices.

Coordination of Services Statistics

OECD is preparing a report for UNSC 2005 on coordination of international development work on services statistics and strategy. An OECD webpage has been created to link to the pages and outputs of various groups and organisations working on services at www.oecd.org/std/services/statcoordination. *Facilitating the participation of more developing countries in services statistics discussions is a stated objective of the UNSC.*