Statistical Gaps:
The Challenges Facing the Service Programmes at Statistics Canada

Peter Lys
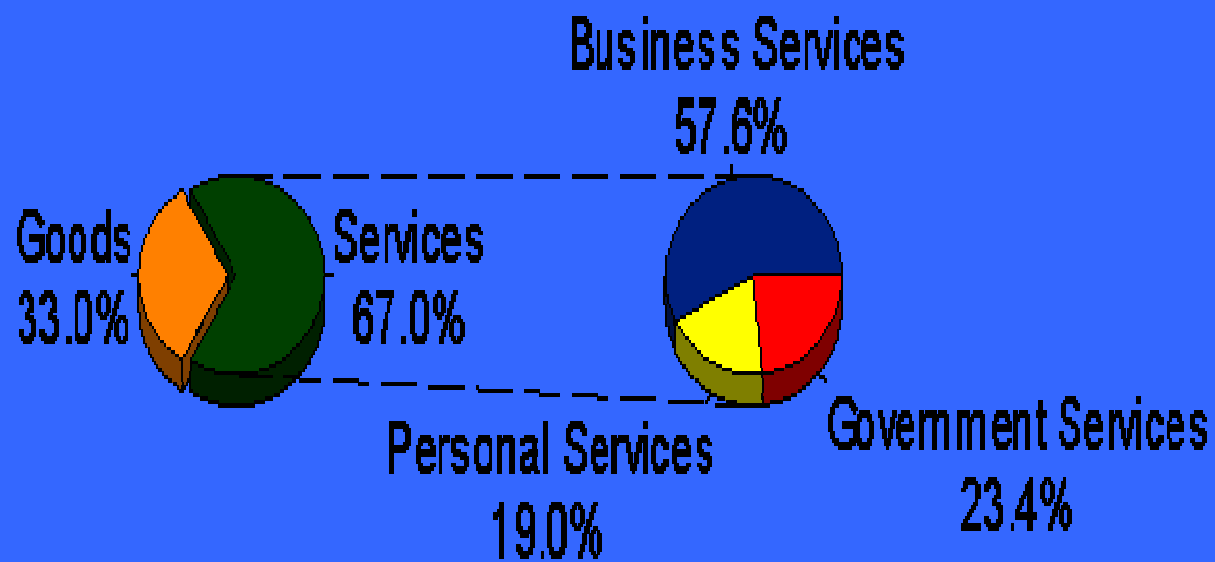**Director General, Industry Statistics Branch**

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Service Programmes
at Statistics Canada

- The changing economic environment.
- Some of the issues and challenges.
- How we are organized.
- Where we are coming from.
- Where we plan to go.
- Remaining Challenges.

Figure 1: GDP, Breakdown of Services into Three Major Components

Business Services
57.6%

Goods
33.0%

Services
67.0%

Personal Services
19.0%

Government Services
23.4%

Source: Statistics Canada, Input-Output Tables, CANSIM 379-0023, 1999 data.

Figure 2: GDP, Breakdown of Business Services
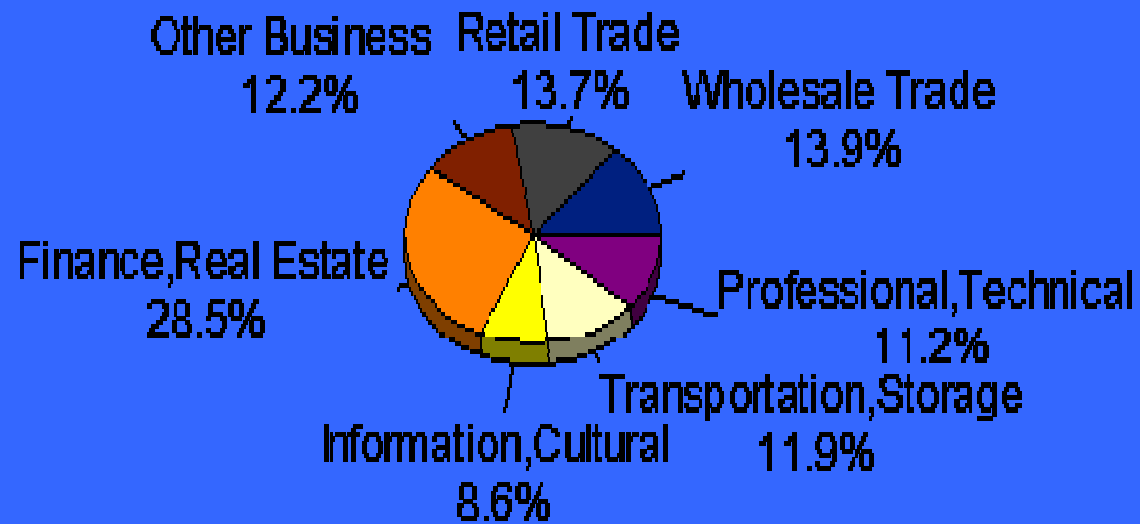
Changes In The Economic Environment

- Large increase in trade and trade liberalization
- Globalisation of business activities
- Growth and transformation of the Service sector
  - major shift from goods production to a services based economy,
- Rapid transmission of shocks
  - financial, currency, security, and health,

What This Means

- Better understanding of the corporate structure of trans-national firms
- Better understanding of their behaviour
  - Transfer pricing
  - Allocation of value added
  - Multiplier effects of their export
- More rapid and current information
- More comprehensive data on services

Somes Issues And Challenges

- Timeliness
- Convergence and measurement of activities
- Transfer pricing
- Measuring trade in services
- Measuring productivity in services (price indices)
- Others (environment, international comparability)

How We Are Organized

- Statistics Canada is divided into 7 fields:
    - Business and Trade Statistics
    - Social, Institutional and Labour Statistics
    - National Account and Analytical Studies
    - Informatics and Methodology
    - Analysis and Development
    - Communication and Operations
    - Management Services

Services Statistics (1)

Are covered by :

- The National Accounts Statistics Field in:
  - The Monthly and Annual GDP, Industrial measures and the International trade of services in the BOP progamme.
  - It covers also NAICS 91 : Public Administration.
- The Social Statistics Field in :
  - The health, education, culture and tourism surveys, the employment surveys (SEPH, LFS) and in the Census.
  - It covers NAICS 61: Educational Services and NAICS 62 : Health Care and Social Assistance

Services Statistics (2)

Business services are mainly covered by :

- The Business and Trade Statistics Field:
  - Industry, organisation and Finance Division
  - Service Industries Division
  - Transportation Division
  - Distributive Trade Division
  - Science, Innovation and Electronic Information Division and
  - Prices Division

Industry Coverage (1)

- Industrial Organisation and Finance Division
  - Covers NAICS 52 :finance and insurance
- Distributive Trades Division
  - Covers NAICS 41, 44-45 : monthly and annual retail and wholesale trade
- Transportation Division
  - Covers NAICS 48-49 : transportation services

11

Service Industries Division

- NAICS 51 :Information and Cultural industries
- NAICS 53:Real Estate and Rental and Leasing
- NAICS 54: Professional, Scientific and Technical services
- NAICS 55: Management of Companies and Enterprises
- NAICS 56: Administrative and Support, Waste Management and Remediation Services
- NAICS 71: Arts, Entertainment and Recreation
- NAICS 72: Accommodation and Food Services

Where We Are Coming From…

- Before 1991 the business service industries programme was relatively small in scope.
  - Very few price indices and output surveys.
- Our knowledge of the service economy was driven by our statistics on the labour side of the organisation through the SNA statistical framework.

Major Initiatives

- Gaps I : 1991-1996

- PIPES : 1997-2001

- New initiatives: 2003-2008
  - Tax data
  - Service Price index

14

Gaps I – (1991-1996)

GAPS I

- **Introduction of new output surveys**
  - **Management consultant services**
  - **Accounting services**
- **Introduction of new price surveys (e.g. consulting engineers)**
- **Introduction of a model survey for Computer Services approved by the Voorburg Group and the UN**
- **Improvements of the existing Business Survey**
  - **e.g. Accommodation survey**

- **Launching of a quarterly publication**

- **Use of Tax data**

PIPES 1997-2002

- Building the infrastructure (e.g.Linking surveys to the Business Register)
- Moving from legal entities to establishments
- Introducing provincial detail and more industry characteristics
- Introducing some new surveys, such as:
  - Real Estate Lessors and Brokers
  - Rental and Leasing
  - Repair and Maintenance
  - Translation Services, Testing Labs,

16

Where We Are Now…

- More stable infrastructure supported by the Business Register, the Unified Enterprise Surveys and centralised capture and edit systems.
- Expertise in the use of tax data to cover gaps and reduce response burden.
- However, we have been falling short in our outreach and analytical capability. Also timeliness remains an issue.

New Initiatives 2003-2008

- Tax replacement strategy
  - Reduce costs, response burden and statistical gaps for annual programmes
- Use of the Goods and Services Tax (GST)
  - Reduce cost, response burden for monthly programmes
  - Development of infra-annual trends
- Service price indices

Where We Plan To Go

- Timeliness

- Uses of Tax data

- Development of Current Indicators

- Introduction of Characteristics Surveys

- More Analysis

- Development of the Service Price index program

- Enhance our program on international trade in services.

19

Timeliness

- Acceleration of data releases through further streamlining of production processes.
- Our objective is to release data 15 months after the reference period and 12 months after the reference period for those industries with a strong external user community

Use of Tax Data

- Objectives:
  - Reduce production costs and response burden
  - Improve coverage
- Two major trusts:
  - Tax replacement strategy with T1-T2
  - Use of the Good and Service Tax (GST) file

Current Indicators

Increase of the number of sub-annual indicators with the objective of monitoring current economic trends in the economy.

– Develop in a first phase quarterly trend indicators for service industries.

– Complement these quarterly trends with a Business Condition Survey

Current Gaps In Infra-annual Statistics

- Petroleum product wholesalers ($33 billion)

- Wholesale agents and brokers ($35 billion)

- Computer services ($30 billion)

- Professional, scientific and technical services ($77 billion)

- Administrative support ($ 49 billion)

23

Characteristics Survey (s)

- Objectives:
  - Collect information on industry characteristics that will complement the financial data available from survey or tax files.

- Three types of survey:

1. Tax characteristic Survey
   - To replace in part important information that has disappeared as a consequence of the tax replacement strategy (Pilot survey in Food)

Characteristics Survey (s)

2. Complementary Industry characteristic survey

    – To supplement data on trends with qualitative information (e.g. Business Condition Surveys, impediments to business, etc).

3. Occasional Activity survey

    – To survey an activity across services industries (e.g. Innovation activities in Services)

Analysis

- Objectives:

  – Improve quality of data produce

  – Improve relevance

  – Inform and participate to the debate on the characteristics and impact of the service or knowledge economy.

Price Indices Initiative (1)

Develop a strategy based on :

- Importance of the industry

- Complexity of the service

- Availability of established methodologies

Price Indices Initiative (2)

In a first phase, increase the industrial coverage starting with:

- Wholesale margins
- Retailing margins
- Truck transportation
- Courier services
- Non-residential rent
- Rental, other machinery and equipment
- Implicit charges for: deposits, loans banking etc.

Timetable And Priorities

- In the year 2003 and 2004 we have:
  - Developed a pilot for a sub-annual service indicator
  - Launched a pilot Business Condition Survey
  - Aggressively pursued our tax replacement strategy for annual statistics
  - Tested a characteristics survey
  - Explored the use of GST for infra-annual statistics
  - Measured some convergence activities such as E-commerce

Some Annual Gaps

- Ambulatory Health Care ($24 billion)
- Legal services ($9 billion)
- Services to building and dwelling ($ 8 billion)
- Other professional, scientific and technical services ($5 billion)
- Education ($4 billion)

We Need To Know More About

- Trade in services
- Outsourcing of services
- Financial sector in terms of volume, type and prices of transaction
- Measurement of productivity
- Cross-cutting Activity (e.g. geomatics, e-comerce, the knowledge economy)
- Industry measures for private health and education