EXPANDED SERVICE STATISTICS – A 5-YEAR PLAN

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Introduction

The service sector (nongoods producing) is generally recognized as having the fastest growing industries in the U.S. economy. Currently, it accounts for about 70 percent of the gross national product and 80 percent of all new jobs created. However, data users are quick to point out that the growth in statistical data has actually lagged the changes and growth that are occurring in this sector of the economy. This paper will review the actions the Census Bureau has taken in recent years and what it will do over the next 5 years to help address the situation.

Background

In this paper, we will make reference to several of the major divisions of the 1972 Standard Industrial Classification (SIC) Manual:

Division	Title
E	Transportation, Communication, Electric, Gas, and Sanitary Services
F	Wholesale Trade
G	Retail Trade
H	Finance, Insurance, and Real Estate
I	Services
J	Public Administration

These divisions represent the nongoods-producing sector of the economy.

We will not devote much attention here to Divisions F, G, or J, as the quinquennial censuses and current surveys produce an adequate level of statistical data for these areas. Primarily, we will discuss the remaining Divisions E, H, and I. For a detailed listing of SIC's included in these Divisions, please see Appendix A.

Division I (Services) includes a variety of industries that provide services for individuals, businesses, and governments. Included are hotels and other lodging places; businesses providing personal, business, repair, and amusement services; health, legal, engineering, and other professional services; educational institutions, social services, and membership organizations.

Selected service industries were included in the second census of business taken for 1933 and in succeeding censuses for 1935 and 1939. After a World War II hiatus, they were resumed in 1948 and taken in 1954, 1958, and 1963. Beginning with 1967, Congress authorized the economic census to be taken at 5-year intervals covering years ending in "2" and "7." For 1977, the coverage of service industries was broadened considerably to cover the remaining industries in Division I, except religious organizations and private households. Forty-one additional four-digit industries and seven major groups were added to the scope of the 1977 census of service

industries. Forced by budget cuts and other factors, the coverage of the 1982 census was reduced in size by excluding hospitals; elementary and secondary schools; colleges, universities and professional schools and junior colleges; labor unions and similar labor organizations; and political organizations.

In the mid 1960's the Census Bureau initiated the Monthly Selected Services Receipts program. A limited amount of receipts data were first published in November 1966 beginning with statistics for October 1965. Through the years, more and more monthly receipts estimates were published until 1981. Budget cutbacks in early 1981 forced for us to discontinue the collection and publication of monthly data for total Business Services (SIC 73xx); Advertising (SIC 7311); Services to Dwellings and other Buildings (SIC 734x); Computer and Data Processing Services (SIC 737x); and Engineering, Architectural, and Surveying Services (SIC 891x). At the end of the 1981 data year, this monthly survey was discontinued entirely and eventually converted to an annual program which was initiated in 1983 for data years 1981 and 1982.

Current (1987) Services Statistical Coverage

In 1982, due to the growing importance of the services sector, the Census Bureau was directed by the Congress and provided funds to improve the quality and quantity of statistical data for service industries and the following actions have been taken:

- The Services Annual Survey, now 5 years old, has been expanded through the years. For example, the 1986 publication contains receipts data for about 20 more industries than the 1985 version.

- Two years ago, we instituted an annual Motor Freight Transportation and Warehousing Survey. Although the second year publication will not contain additional industry coverage, it will be expanded to include additional data items, namely revenue breakouts and more expense items.

- Funds were provided and plans were made to conduct an Annual Survey of Communications, but the survey has not been approved by the Office of Management and Budget.

- The 1987 Census of Service Industries will be expanded to include both government and privately owned and operated hospitals. Also, data for additional industries will be published because statistics will be tabulated on the basis of the revised 1987 Standard Industrial Classification. In Division I (Services), there is a net increase of 19 industries compared with the previous (1972) classification system.

  In addition, data for selected (31 of a possible 50) transportation industries, Division E, will be collected for the first time including Major Group 42—Motor Freight and Warehousing (9 industries), Major Group 44—Water Transportation (13 industries), and Major Group 47—Transportation Services (9 industries). Portions of these industries, such as SIC 4722, have been included in past economic censuses.

Data Gaps and Measurement Considerations

Despite the gains made by the Census Bureau during the past few years in the collection and publication of service trade statistics, data gaps and measurement problems remain. It seems that even as more statistics are provided to data users, additional data gaps are identified or emerge.

Data gaps are most evident in Division I, service industries, and in portions of the previously regulated industries of transportation, communication and finance, insurance and real estate. Data gaps are influenced directly by funding levels and different levels of data need, including frequency of publication. In general, there are three levels of statistics: (1) broad national totals (such as sales/receipts, operating expenses); (2) breakdowns of national totals for geographic areas; and (3) custom data items that vary among industries (e.g., number of available hotel rooms, number of bowling lanes).

The number one priority for new initiatives is expanding service sector coverage (both employer and nonemployer firms) in the quinquennial census. Secondary priorities are expansion of annual coverage, and possible reintroduction of a monthly survey. These last two are generally accomplished by sample surveys.

Examples of Existing Data Gaps by Major Group Include:

Division E: Transportation, Communication, Electric, Gas, and Sanitary Services (SIC 4xxx)

Except for the transportation industries previously mentioned as being included in the 1987 census, there is no quinquennial census coverage of the remaining industries in this Division of the SIC system. Our County Business Patterns program provides annual data, however, on establishments, employment, and payroll but only for employer firms. Limited annual data exist for revenue and operating expenses. It should be noted that the census of service industries does not provide data on railroads (SIC 40xx) and the U.S. Postal Service (SIC 43xx). Railroads historically have had their own retirement system and not Social Security. The employer identification numbers assigned to employer firms with Social Security coverage are the basic identification for our programs. As for the Postal Service, the census of service industries does not cover quasi-federal agencies (except for hospitals).

Division F and G: Wholesale and Retail Trades (SIC 50xx-59xx)

The monthly and annual wholesale trade surveys produce no geographic data and only limited geographic data are available from the monthly retail program. For both trade areas, there are no annual assets, capital expenditures, or operating expense data.

Finance, Insurance, and Real Estate (SIC 6xxx)

Except for data collected in the Minority and Women-Owned Businesses Surveys, there are no quinquennial census data available for such basic

data items as sales/receipts, employment, and payroll. There also is a lack of statistics for other important data items like operating expenses, depreciable assets, and capital expenditures. Only very limited annual statistics are available for assets or operating expenses from selected regulatory agencies.

Division I: Services (SIC 7xxx, 8xxx)

The 1987 Census of Service Industries will not cover Elementary and Secondary Schools (SIC 8211), Colleges and Universities (SIC 8224), Labor Unions and Similar Labor Organizations (SIC 8631), Political Organizations (SIC 8654), Religious Organizations (SIC 866x), and Private Households which employ workers (SIC 881). For most of the 8xxx SIC's covered by the Service Annual Survey, only data for employer firms will be developed. Although the 1987 Assets and Expenditures Survey will publish data for the same SIC's published in the SAS publication, data are lacking for depreciable assets, capital expenditures, and industry-specific operating expenses (except payroll) for all Division I service industries on an intercensal basis. Again, unlike the retail and wholesale programs, there is no monthly survey coverage by the Census Bureau for service.

Measurement Problems

Accurate measurement of the service sector always has been a concern. In recent years, the changing structure of the service sector has seen an expansion of secondary service activities and the growth of small owner-operated (nonemployer) businesses. As business firms expand secondary service activities, the industry total becomes less accurate as a measurement of the principal business activity or, even worse, causes possible duplication. Each establishment is classified in only one industry according to its principal business activity. Thus, when a franchised automotive dealer reports his total sales for new cars, used cars, parts, and services/repairs, they are tabulated together as retail sales of motor vehicle dealers.

By including repair activity (a service) in retail sales, some data users feel this method understates total receipts for Automotive Repair Shops, while overstating retail sales. On the other hand, establishments primarily engaged in Automotive Repair frequently sell parts and/or tires that are primarily a retail sale, but are tabulated as part of total service receipts under the present collection system. Even if this activity balances out, there remains a distortion by kind-of-business. The quinquennial censuses have made efforts to identify secondary activities by establishing breakdowns of receipts (receipt lines).

Small owner-operated businesses (nonemployers) present another statistical measurement problem. Latest estimates indicate that over 60 percent of the service establishments are nonemployers but contribute less than 5 percent of total receipts.

A problem in the current surveys is identifying and locating non-employers. Unlike a retail store, which generally has a sign outside its

place of business, many of these nonemployer services operate from their homes or other unidentifiable locations and do not place a sign on the premises for one reason or another. In certain industries, the services are not performed on the premises of the business, but rather at a person's home where there are no recognizable signs of a business activity.

In the economic censuses, nonemployers are identified through the use of administrative records of other Federal agencies. These records usually are classified at less detail levels than employer firms. Also, in 1982, because of errors in coding from IRS, selected industries had published data for employers only. Since then, based on recommendations from the Census Bureau, the IRS has taken steps to improve their classification process. Also, in the 1987 economic censuses, the Census Bureau will perform additional review and processing of the administrative records. The nonemployer data for the 1987 Economic Census of Service Statistics will be published in a separate report series.

Contracting out raises another measurement condition that complicates data comparisons about the true growth of service industries, and the utility of "transfer" business. When a firm contracts out for a service it previously provided internally, the aggregate figures for the economy can change and additional detail data are required to identify the true conditions.

Changes in the employment hiring practices and occupational make-up of service firms make certain data comparisons difficult. One of the largest year-to-year changes in service industries recently was for temporary help and employment agencies—up more than 32 percent from 1983 to 1984 and 14 percent in 1985. Under better economic conditions, businesses staffed for optimistic levels of activity. More recently, businesses staff for minimum levels and supplement their workforce with temporary employees for peak activities. The occupational mix of temporary help supply firms is changing also, from primarily secretarial and semiskilled to increasingly include technical and professional occupations.

Plans for Expanding Coverage of Service Industries FY 1988-1991

In the next 5 years, we must address the issues described above, and strive to meet the growing data needs of the principal users of our statistics, the Bureau of Economic Analysis (BEA) and the Bureau of Labor Statistics (BLS). The BEA requires data on services for use in compiling their national income and product accounts, for developing input-output measurements, and for their capital stock estimates. The BLS uses the data to help create producer price indices and for developing productivity measures.

The private sector uses our data for market share studies, development of sales territories, and for knowledge of economic trends, and so forth.

Toward these goals, the programs described below are aimed at expanding our range of coverage for services, while increasing the number of data items collected. Our improvement efforts are grouped by the fiscal year in which we plan the implementation to take place.

FY 1988

. For about five industries already represented in the Services Annual
Survey, we plan to expand data item coverage by requesting sources of
business operating receipts/revenue. The industries under
consideration include:

-- arrangement of passenger transportation (SIC 4722)
-- employment agencies (SIC 7361)
-- temporary help agencies (SIC 7362)
-- nursing and personal care facilities (SIC 805x)
-- outpatient care facilities (SIC 8081)

. Five industries related to transportation, recreation, and tourism
will be included in a new survey that will collect revenue and
operating expense breakdowns. They are:

-- intercity busing (SIC 413)
-- bus transportation charter service (SIC's 4141/4142)
-- bus terminals and service facilities (SIC's 4171/4172)

. If we receive OMB approval, the Annual Survey of Communication
Services will be initiated and will collect data on operating receipts
and expense breakdowns.

FY 1989

. We plan to initiate an annual survey covering 12 of the 13 four-digit
SIC's that comprise Major Group 44-Water Transportation (excluding
SIC 441). Separate statistics for sources of revenue and selected
operating expenses will be developed for freight and passenger
transportation activities.

. We plan to expand our annual coverage of services by initiating a
survey to canvass all nine four-digit SIC's that comprise Major
Group 47--Transportation Services.

FY 1990

. The Census Bureau will begin laying the foundation for the 1992
census. Present plans are to expand 1992 economic census industry
coverage to include all communications and public utilities; finance,
insurance, and real estate industries; and the remaining transpor-
tation SIC's except Major Group 43--U.S. Postal Service. This
represents about 90 additional industries.

. Further expansion of data items for selected industries in the
Services Annual Survey are planned. Sources of receipts and selected
operating expenses will be collected and published for industries in
Major Groups 73xx--Business Services; 80xx--Health Services; 75xx--
Automotive Repair Services and Garages; and 79xx Amusement and
Recreation Services.

<u>FY 1991</u>

- We plan to initiate a monthly survey to meet both government and private industry user group needs. We will collect operating receipts for about a dozen four-digit key service industries and for major groups (two-digit level) for input to the national accounts.

- We will begin revising and updating our sample surveys to introduce the new SIC classification codes derived from the 1987 Economic Census.

- We have proposed that our Economic Surveys Division initiate an addition to the 1991 Company Organization Survey to identify and tabulate domestic companies exporting services.

<u>AEA/AMA Comments</u>

Census Bureau planning has incorporated data needs of other government agencies, trade associations, and individual data users. Because of the large number of diverse industries involved, and the changing needs of data users, we would appreciate your thoughts and general opinions on the following:

- How do you feel about the chronology of events? Are our priorities in order? For example, are the 1989 plans for the Water Transportation Survey more important than the 1988 Transportation, Recreation, and Tourism Survey?

- Some data users have suggested expanding only by major (two-digit SIC) groups. Others recommend including only the important SIC's within a major group. What are your thoughts on these alternative approaches?

- How important is improvement of coverage of nonemployer firms? What methods can you recommend that might be an improvement over the present system?

- How important is the identification and measurement of secondary economic activities?

- Are we missing coverage of any important industry (in the sample surveys or censuses)?

- Are breakouts of receipts and selected operating expenses the most important data items to be picked up in our expansion plans? Would data items such as capital expenditures, assets, and employment breakdowns be more important? Also, are the increases in data items more or less important to your data needs than increased coverage?

- For our sample surveys, what level of variability is acceptable for the estimates provided? Detail items, such as expense breakdowns, are

subject to high sampling variability unless the survey is designed with these items in mind (usually resulting in increased sample sizes and higher costs).

.   Are there any other comments you would like to make regarding any portion of this paper/presentation?