

Sharing the Development of Service Industry Statistics

Statistics Canada

SHARING THE DEVELOPMENT OF SERVICE INDUSTRY STATISTICS

A Statistics Canada Proposal

Background

1. A review of the structure of Canadian GDP by industry or of Canadian employment by industry suggests that Canada, like so many other developed countries, owes most of the value of its output and most of its labour inputs to service industries. By service industries is meant all activities classified between ISIC 5 and ISIC 9. Like so many other countries, Canadian statistics for service industries do not reflect development, conceptual framework, or classification detail, commensurate with the industries' share in GDP. Rather, Canadian statistics reflect an overwhelming concern with the goods producing industries and it is only recently that this imbalance has become a subject of concern.
2. There are a number of important policy initiatives which currently engage the attention of the Canadian government and which are closely related to the role of service industries in the Canadian economy. For most of them, the statistical information required to take well-grounded decisions is not judged to be adequate. This judgement has been communicated to the statistical office.
3. Statistics Canada has responded by taking a series of measures designed to move to the top of its agenda the development of service industry statistics. It has created a Division (the basic organizational unit) responsible for statistics on all services other than distribution, transportation, government and institutions. It is experimenting with a programme to collect information on own-account services within large enterprises. It increased the frequency and detail of collection of data on services in international trade. And it secured special financing for all these developments from the Federal government.
4. Statistics Canada also took deep interest in similar initiatives going on elsewhere. It participated and continues doing so in OECD committees engaged in the development of service industry concepts and classifications. It participates actively, together with other countries, in UN-sponsored meetings to revise the ISIC and to develop the CPC. And it has maintained contacts with other statistical agencies where similar concerns are being dealt with.

5. But in spite of these measures, there is an unease about whether demand for service industry statistics can be met effectively and promptly. This unease is heightened by several factors. The economy of service industries is not well understood. Even if financing were not an impediment, the speed with which new surveys could be developed would still fall short of expectations.
6. Statistics Canada can no longer count on the relative budgetary ease with which it undertook new initiatives fifteen and twenty years ago. The agency is committed to reduce its resources by almost one-sixth between now and 1990. This reduction comes in the wake of several large cuts which started to affect the agency seven years ago. New financing can still be secured but only for narrowly-defined objectives and for a limited period of time.
7. And lastly, the stringency of resources that affects Statistics Canada seems to affect other agencies as well and, in particular, has had its consequences on the United Nations Statistical Office. This last factor is untimely as it may interfere with the revision of the ISIC and with the scope of the revision, particularly for less well-known industries.

Initiative

8. For these reasons, Statistics Canada looks forward to some form of labour-sharing with statistical agencies that may be experiencing similar problems. In suggesting that this possibility should be explored, its intrinsic difficulties are not ignored. There are not too many precedents for labour-sharing outside the framework of statistical offices in international agencies.
9. There is, at present, no list of the commodity outputs of service industries. Whereas, there are classifications down to the nearest bolt, ingot, chemical compound, and type of fibre, of what is produced by manufacturing industries, There is no equivalent knowledge of what is produced by architects, accountants, consulting firms, legal offices, etc. As a result, the real product of such economic units is estimated in crude fashion, often by deflating their revenues with the most general of price indices. The errors involved in current procedures could well invalidate a large number of conclusions drawn about service industries but based on costly and often dubious quality information.

10. There is little knowledge about non-marketed services and while theories abound on the rate at which large enterprises are discarding own account provision of services, a factual underpinning for these and competing theories is lacking. Too little is known about the effect of service industries on the occupational structure of employment and, in general, the contribution made by service industries to productivity is only assumed.
11. Findings related to these and other issues may well have been described elsewhere. If so, the knowledge of them in Canada is spotty. There is no system for continuing interchange of information and this must be to the detriment of all statistical agencies that share Statistics Canada's concern.
12. In the past, there have been two areas eminently suitable for international labour-sharing. They are the National Accounts and Classifications. The two are not unrelated. Both have been pursued with great energy by international statistical offices on the grounds that they were the two most appropriate candidates for the promulgation of international standards.
13. The proposal put forward by Statistics Canada builds on this fact. It recognizes that both the revision of the ISIC and the third version of the SNA will be seeing the light of day for the first time in less than two years. These two standards would be much improved if they could take advantage of further work on service industries.
14. Statistics Canada wishes to promote an initiative whereby each participant would select, as a result of mutual agreement, a number of service industries for study. Such a study would include, on the one hand, the development of a classification of service commodities and, on the other, proposals for delineating the industries, which are for measuring their real output.
15. The basis for the choice should preferably be comparative advantage either because of the special role of the service industries chosen in the country's economy or else previous work carried out on those industries or some mixture of these two factors. Such choices are complex. There will be inevitably complex negotiations for allocating industries, even if the initiative obtains general approval.

16. The alternatives, however, may be worse. The UNSO and other international statistical offices may not have the necessary resources to develop a commodity classification for service industries. And Statistics Canada does not feel equal to the task of developing such a classification by itself for all the SIC's in scope.

Reporting

17. Assuming that a group of countries decides to sponsor such an initiative, what is the practical manner of coordinating individual country efforts and ensuring that all participants benefit from the developments undertaken by each? This is a matter which the meeting in The Hague may serve to resolve. Obviously, international agencies must take a lead role in the coordination of any agreed to effort. The UNSO has the double responsibility of presenting a draft for the revision of the ISIC as well as a draft for the revision of the SNA. For this reason, it should be a focal point in the process of coordination.
18. The OECD has taken an important role in the promotion of studies for the development of service industries. Statistics Canada notes with deep satisfaction the key role given to the Statistical Office within the OECD, to ensure coordination of all the efforts to improve information on service industry statistics.
19. Eurostat has been one of the most important organizers and participants of and in meetings on service industries. Its commanding position vis-a-vis statistical offices of EEC member countries makes it unique in its capacity to lay down standards, definitions and guidelines.
20. If the three international statistical agencies are to take an interest in this proposal, they might act as a clearing house for new information and a venue for meetings which from time to time participants in the project may find useful to call.
21. Short of holding meetings at scheduled times in international agencies, participants may opt for the more flexible solution of meeting in national statistical agencies on a rotating basis. Such meetings which, of necessity, will be simpler to stage could be scheduled at the meeting in The Hague for the next six to twelve months.

22. Statistics Canada expects that as a result of this meeting the following will be resolved:

- there will be a tentative allocation of service industries to participating countries;
- there will be a provisional schedule for exchanging information on the basis of data developments;
- there will be an agreement on the venues for the next few meetings; and
- there will be an agreement on how the countries round the table will judge the draft information produced.