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A FIVE-YEAR PLAN FOR ESTABLISHING A SYSTEM OF ANNUAL STATISTICS  
OF PRIVATE SERVICE ACTIVITIES: FINNISH EXPERIENCES

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## A FIVE-YEAR PLAN FOR ESTABLISHING A SYSTEM OF ANNUAL STATISTICS OF PRIVATE SERVICE ACTIVITIES: FINNISH EXPERIENCES

### 1. Introduction

Last year, the Central Statistical Office of Finland adopted a five-year plan for establishing a system of annual statistics of private service activities. The plan is concerned with the statistics of such activities on which no basic statistics exist so far. The need is most urgent with respect to the business, real estate, renting, and other service activities of private enterprises. The aim of this paper is to review the most important prerequisites for the production of service statistics in Finland and to outline the actions to be taken by the CSO in the years ahead.

As in other industrial countries, the economic significance of service activities has been growing rapidly in Finland during the 1980s. More than half the gross domestic product is accounted for by service activities. More than 65 per cent of service production is accounted for by industries, 30 per cent by government and 5 per cent by private non-profit services. During the past decade in Finland, "business activities" have been growing faster than any other industry. In 1987, the value added in business activities exceeded the value added in agriculture or in paper manufacture.

Traditionally in Finland, very detailed statistics have been compiled on agriculture and on manufacturing. The statistics of wholesale and retail trade, hotels and restaurants, transport, and finance and insurance seem to meet the principal requirements of users. Naturally, these statistical systems, too, have to be revised in response to the new information needs that have arisen with respect to e.g. trade in services and problems with productivity measurements.

## 2. General prerequisites for service statistics

In the mid-1980s, the CSO of Finland set out to create the basic prerequisites for developing an overall statistical system for the service industries. The General Register of Enterprises and Establishments (GREE) maintained by the CSO plays an important role by serving as a data source and a sample frame for business surveys. Formerly, only enterprises paying turnover tax were included in the GREE. As a result, the majority of private service enterprises were excluded. By now, the coverage of the GREE has been improved considerably: all enterprises and their establishments and all own-account workers and entrepreneurs who are employers or subject to turnover tax are included in the GREE.

The GREE is updated twice a year, when new enterprises are entered into the register and changes in name, address, ownership and other data are recorded. The GREE also contains such data on enterprises as the number of employees, the wages and salaries of employees, and turnover. Previously, these data were updated every second year, but starting from 1988 they are updated every year.

The updating of the GREE is based mainly on the administrative records of the Finnish tax authorities. Direct questionnaires are sent only to newcomers and to enterprises with more than one establishment (which make up less than ten per cent of all enterprises).

In 1987 the CSO adopted a new revision of the Standard Industrial Classification (SIC) of Finland. In the revised SIC, increased emphasis is put on the national characteristics of the Finnish economy. In carrying out the revision, close attention was paid to the simultaneous revision of the ISIC (Rev. 3). Hence, where the SIC is not in complete correspondence with the ISIC, it can be converted to the UN standard and vice versa. The new SIC reflects the vast expansion of the service industries and the corresponding relative decline in primary production and manufacturing. The General Register of Enterprises and Establishments applies the revised SIC as from the statistical year 1986. The Finnish tax authorities adopted the revised SIC last year.

Because the financial resources of the Official Statistics of Finland remain unchanged unless there is growing demand for new or revised statistics, the CSO has been forced to step up efforts to utilize administrative records as a data source of statistics. In the mid-1970s, the National Board of Taxation set up a project to automate the processing of trade tax data. Over the years, the project ran into many problems due to insufficient financial resources. Since the tax year 1987, however, the new automated system has been in full operation. All Finnish enterprises, employers and own-account workers subject to trade tax are included in the Register of Trade Taxation (RTT). The RTT contains the income statement (profit and loss account) and balance sheet data of enterprises and persons subject to trade tax.

As is well known, administrative records as a data source of statistics fall far short of meeting the demands of official statistics. The most serious problems relate to the definitions and classifications used in administrative records. However, the same enterprise identification numbers - originally defined by the National Board of Taxation - and the same industrial classification system are applied in the Register of Trade Taxation, in the General Register of Enterprises and Establishments, and in financial statements statistics. This has enabled the CSO to carry out a comparative study concerning the quality of RTT data and their usability for statistical purposes. Data in the RTT have been compared with data in the GREE and in financial statements statistics. The results of the study suggest that the RTT will be fully usable as a data source within a couple of years. So far, the RTT has been utilized in preliminary studies concerning service industries.

### 3. Preliminary studies on service industries

In the five-year plan for establishing a system of annual statistics of service activities, the first step is to carry out preliminary studies on the main service industries. This work was started at the beginning of this year. The preliminary studies have a dual purpose: on the one hand, they provide detailed, earlier unpublished information about private service industries; on the other hand, they reveal the worst data gaps, provide information for sample planning and otherwise serve the planning of direct data collection from enterprises.

In the preliminary studies, only the existing statistical and administrative data have been utilized. The main data sources are as follows:

- The General Register of Enterprises and Establishments (number of enterprises and establishments, number of employees, wages and salaries, turnover; also regional data)
- The Register of Trade Taxation (income statement and balance sheet data; gearing ratio, quick ratio and other analytical measures based on book-keeping data)
- Industrial statistics (data on shipments and acquisition costs of business services by industrial establishments)
- Statistics on bankruptcies (service industry enterprises for which a bankruptcy petition has been filed)
- Balance of payments statistics (export and import of services)
- Population Register (labour force of service industries according to age, sex, and field and level of education)
- Statistics compiled by various private organizations of the service industries
- Occasional studies

Preliminary studies will be performed on the following service activities (for activities underlined, the study has already been published or undertaken):

ISIC (Rev. 3)

<u>DIV 70</u>		<u>REAL ESTATE ACTIVITIES</u>
<u>DIV 71</u>		<u>RENTING OF MACHINERY AND EQUIPMENT WITHOUT OPERATOR AND OF PERSONAL AND HOUSEHOLD GOODS</u>
<u>DIV 72</u>		<u>COMPUTER AND RELATED ACTIVITIES</u>
<u>DIV 73</u>		<u>RESEARCH AND DEVELOPMENT</u>
<u>DIV 74</u>	<u>741</u>	<u>Legal, accounting, book-keeping and auditing activities; tax consultancy; market research and public opinion polling; business and management consultancy</u>
<u>DIV 74</u>	<u>742</u>	<u>Architectural, engineering and other technical activities</u>

<u>DIV 74</u>	<u>743</u>	<u>Advertising</u>
DIV 74	749	Business activities n.e.c.
DIV 80		EDUCATION
DIV 85		HEALTH AND SOCIAL WORK
DIV 92		RECREATIONAL, CULTURAL AND SPORTING ACTIVITIES
DIV 93		OTHER SERVICE ACTIVITIES

As experiences and results up to now indicate, the main shortcomings of the existing statistical data relate to data on production and foreign trade by commodities and to data on main customers. There is also great interest in data on the cost structure and in more detailed information on investments.

#### 4. Direct questionnaires

In carrying out the five-year plan, the next step is to conduct pilot surveys of the service enterprises. The sample-based surveys will also serve as feasibility studies. Next year, the enterprises classified into divisions 72 and 74 (ISIC, Rev. 3) will be studied. Direct data collection is needed to fill the data gaps mentioned above. Apart from this, the income statement and balance sheet data of the service enterprises will also be collected in order that they may be compared with the data in the Register of Trade Taxation. It looks as if the questionnaires dealing with commodities will be sent to the establishments, while income statement and balance sheet data will be collected directly from the enterprises.

Product classification creates many problems when responding to the direct questionnaires. In the CSO of Finland, the new draft of the Central Product Classification (CPC) has been studied and compared with the product group classifications that private organizations of the service industries use in direct data collection. These "unofficial" classifications often emphasize the practical aspects of production, such as the need to analyze customers and competitors. The CSO will construct a product classification which will be convertible to the latest version of the CPC and which will be func-

tional in direct data collection. The classification will be tested in the planned surveys.

5.

Towards a system of annual statistics of service industries

According to the five-year plan, the preliminary studies and pilot surveys concerning private service industries (DIV 70 - DIV 93; ISIC, Rev. 3) will have been completed by 1994. In addition, annual statistics on service industries will be produced on the basis of the registers (the GREE and the RTT) and other existing statistics. A plan to establish a system of short-term statistics and indicators of service industries will be presented towards the end of the planned period.