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NOTE TO THE PARTICIPANTS OF THE  
6th MEETING OF THE VOORBURG GROUP

Please find attached my contributions:

1. Defining services: an enumerative approach. Please check if the indications in Annex II (page 8) on your Country are correct !
2. Proposal for the elaboration of a glossary of service terms.

With my best regards,

Erwin Veil

ORGANISATION FOR ECONOMIC  
CO-OPERATION AND DEVELOPMENT

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Department of Economics  
and Statistics

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**DEFINING SERVICES: AN ENUMERATIVE APPROACH**  
(Revised version)

Contribution to the Sixth Meeting  
of the Voorburg Group on Service Statistics

by

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\* The views expressed in this paper are those of the author and do not necessarily reflect those of the OECD or its Member Governments.

## 1. Introduction and summary

1. In view of the great conceptual difficulties to arrive at a single overall definition of services and of the various analytical requirements, this note proposes a multiple enumerative definition of services.

2. The proposed set of definitions are formulated in terms of the United Nations International Standard Industrial Classification of all Economic Activities Revision 3 (ISIC) and of the Provisional Central Product Classification (CPC).

3. The central definition, S1, is in principle the broadest definition of service activities and appears to be the most widely used one. Definitions S2 to S4 are linked to S1 by deducting a variable number of ISIC Categories and Divisions; the relationship of definitions S1 to S4 with ISIC and their inter-relations are summarised in Annex I. S5 relating to products is linked to the CPC.

## 2. The overall versus the enumerative approach to defining services

4. Services as a whole can be defined in two ways. The first approach focuses on characteristics that all services have in common and which distinguish them from other economic categories, such as goods and factor services; this is the overall or general approach.

5. Several endeavours to formulate such a definition have been made, partly based on a single criterion, partly on several ones (services are invisible and intangible, services cannot be stored and transported, services lead to changes in the condition of a person or a good belonging to some economic unit, services are customised, etc). However, neither a single nor a combination of criteria have yielded operational clear-cut definitions of services, mainly because services are very heterogeneous and are often intertwined with goods and factor services and are provided as a bundle<sup>(1)</sup>.

6. The second approach consists in enumerating categories of economic activities or products which are equated with the universe of services. Such lists can be positive ones, indicating all the components that add up to total services; they can also be of a negative or residual nature. Lists of this kind are normally linked to existing classifications, either of activities or of products.

7. The advantage of this second approach is that it delineates the universe of services more clearly than the overall approach, because of its links with international classifications. In fact, these classifications are very detailed and provide definitions of the individual items which clarify boundary cases.

### 3. Single versus multiple definitions

8. A single definition is not adequate for varying analytical purposes and for different institutional conditions. By contrast, a set of inter-related definitions is more flexible to satisfy a diversity of analytical requirements and to accommodate differing structural factors.

9. There are two methods of interlocking multiple definitions. The first version can be the narrowest one, and the last the broadest as is the case of monetary aggregates <sup>(2)</sup>. The ranking can also be organised conversely, with the first version representing the broadest one, and the following showing a steadily narrowing coverage.

### 4. Main criteria of a possible definition

10. The definition proposed hereafter is enumerative. It is based on the ISIC Revision 3 (for S1 to S4) and on the CPC (S5). It is also a multiple definition covering five versions S1 to S5. S1 represents the central and the broadest definition, and the following ones are progressively narrower, except S5. The links among definitions S1 to S4 are summarised in Annex I.

### 5. Definition S1

11. The proposed definition corresponds to the following ISIC Revision 3 Categories:

- G Wholesale and retail trade, repair of motor vehicles, motor cycles and personal and household goods.
- H Hotels and restaurants
- I Transport, storage and communication
- J Financial intermediation
- K Real state, renting and business activities
- L Public administration and defence: compulsory social security
- M Education
- N Health and social work
- O Other community, social and personal service activities
- P Private households with employed persons
- Q Extraterritorial organisations and bodies

12. In terms of ISIC Revision 2 this definition encompasses the following Major Divisions:

- 6. Wholesale and retail trade and restaurants and hotels
- 7. Transport, storage and communication
- 8. Financing, insurance, real state and business services
- 9. Community, social and personal services.

13. This definition is the most widely used. Nine OECD Countries out of the 14 which show totals for service industries in their National Accounts use it (see Annex II).

14. A variant of S1 which includes public utilities is used for the "Experimental Service Production Indexes" of the Board of Governors of the US Federal Reserve System.

#### 6. Definitions S2 to S4

15. These definitions build on S1, but are narrower than it. They are obtained by deducting certain ISIC Categories from the coverage of S1.

16. Definition S2 - which largely corresponds to the definition used by Germany - excludes wholesale and retail trade; transport, storage and communications; and public administration (incl. defence and compulsory social security) from the coverage of S1.

17. Definition S3 adds back public administration to the coverage of S2, but deducts financial intermediation and real estate activities; it is used by France and Belgium.

18. Definition S4 has a coverage that is still further reduced compared with S3; from the coverage of S3, public administration is deducted. This definition, which is applied by the United States <sup>(3)</sup> and Japan, is tantamount to a hard-core definition of services.

#### 7. Definition S5

19. This definition differs from definitions S1 to S4, in so far as it focuses on products and is, hence, derived from the CPC. It corresponds to the following CPC Categories:

- 5.1 Construction work
- 6. Trade services: hotels and restaurant services
- 7. Transport, storage and communications services

8. Business services; agricultural, mining and manufacturing services
  9. Community, social and personal services excluding public administration and other services to the community as a whole, and compulsory social security services.
20. This definition approximates the concept of "market services". It has been used for the classification of international trade in services by the United States <sup>(4)</sup> and Australia <sup>(5)</sup>.

### References

1. Drechsler, L. (1990). "A note on the Concept of Services". Review of Income and Wealth, Number 3.
2. By way of example, the Bank of England uses a series of monetary aggregates, with M0 being the narrowest and M5 the broadest one (Bank of England Quarterly Bulletin, February 1991, Statistical annex).
3. The United States definition of services (Executive Office of the President, Office of Management and Budget (1987), Standard Industrial Classification Manual, page 8) covers:
 

|                 |   |
|-----------------|---|
| Major Group 70. | Hotels, rooming houses, camps and other lodging places              |
| Major Group 72. | Personal services   |
| Major Group 73. | Business services   |
| Major Group 75. | Automotive repair, services, and parking                            |
| Major Group 76. | Miscellaneous repair services                                       |
| Major Group 78. | Motion pictures   |
| Major Group 79. | Amusement and recreation services                                   |
| Major Group 80. | Health services   |
| Major Group 81. | Legal services  |
| Major Group 82. | Educational services  |
| Major Group 83. | Social services   |
| Major Group 84. | Museums, art galleries, and botanical and zoological gardens        |
| Major Group 86. | Membership organisations  |
| Major Group 87. | Engineering, accounting, research, management, and related services |
| Major Group 88. | Private households  |
| Major Group 89. | Miscellaneous services  |
4. Whichard, Obie G. (1988), "International Services: New Information on U.S. Transactions with Unaffiliated Foreigners". US Department of Commerce Survey of Current Business, October, pages 27-34.
5. Australian Bureau of Statistics, 1987-88 International Trade in Services.

Annex I**Proposed definitions of S1 to S4**

| ISIC Categories and Divisions  | S1 | S2 | S3 | S4 |
|--|----|----|----|----|
| G. Wholesale and retail trade;<br>repair of motor vehicles,<br>motorcycles and personal<br>and household goods | X  | -  | -  | -  |
| H. Hotels and restaurants  | X  | X  | X  | X  |
| I. Transport, storage and<br>communications  | X  | -  | -  | -  |
| J. Financial intermediation  | X  | X  | -  | -  |
| K 70 Real estate activities  | X  | X  | -  | -  |
| K 71-74 Renting and business<br>activities   | X  | X  | X  | X  |
| L. Public administration and<br>defence; compulsory<br>social security   | X  | -  | X  | -  |
| M. Education   | X  | X  | X  | X  |
| N. Health and social work  | X  | X  | X  | X  |
| O. Other community, social<br>and personal service<br>activities   | X  | X  | X  | X  |
| P. Private households with<br>employed persons   | X  | X  | X  | X  |
| Q. Extra-territorial<br>organisations and bodies   | X  | X  | X  | X  |



## Annex II

## Coverage of Services in National Accounts

| ISIC Rev.3<br>Categories and Divisions  | US | Jap | Ger | Fra | UK | It | Can | Aus | Bel | Den | Fin | Lux | Neth | Spa |
|---|----|-----|-----|-----|----|----|-----|-----|-----|-----|-----|-----|------|-----|
| G. Wholesale and retail trade, repair of motor vehicles, motorcycles and personal and household goods |    |     |     |     | X  | X  | X   | X   |     | X   | X   | X   | X    | X   |
| H. Hotels and restaurants   | X  | X   | X   | X   | X  | X  | X   | X   | X   | X   | X   | X   | X    | X   |
| I. Transport, storage and communications  |    |     |     |     | X  | X  | X   | X   |     | X   | X   | X   | X    | X   |
| J. Financial intermediation   |    |     | X   |     | X  | X  | X   | X   |     | X   | X   | X   | X    | X   |
| K 70 Real estate activities   |    |     | X   |     | X  | X  | X   | X   |     | X   | X   | X   | X    | X   |
| K 71-74 Renting and business activities   | X  | X   | X   | X   | X  | X  | X   | X   | X   | X   | X   | X   | X    | X   |
| L. Public administration and defence; compulsory social security                                      |    |     |     | X   | X  | X  | X   | X   | X   | X   | X   | X   | X    | X   |
| M. Education  | X  | X   | X   | X   | X  | X  | X   | X   | X   | X   | X   | X   | X    | X   |
| N. Health and social work   | X  | X   | X   | X   | X  | X  | X   | X   | X   | X   | X   | X   | X    | X   |
| O. Other community, social and personal service activities  | X  | X   | X   | X   | X  | X  | X   | X   | X   | X   | X   | X   | X    | X   |
| P. Private households with employed persons   | X  | X   |     | X   | X  | X  | X   | X   | X   | X   | X   | X   | X    | X   |
| Q. Extra-territorial organisations and bodies   | X  | X   | X   | X   | X  | X  | X   | X   | X   | X   | X   | X   | X    | X   |

## Sources:

1. United States: MOHR, M.F., "Gross National Product by Industry, 1987-1989", Survey of Current Business, US Department of Commerce, April 1991, page 27.
2. Japan: Economic Planning Agency, Annual Report on National Accounts.
3. Germany: Statistisches Bundesamt, "Volkswirtschaftliche Gesamtrechnungen: Bruttowertschöpfung nach Wirtschaftsbereichen", Statistisches Jahrbuch 1990, pages 569 and 570.
4. France: INSEE, Comptes et indicateurs économiques: Rapport sur les comptes de la Nation en 1989, page 62.
5. United Kingdom: Central Statistical Office, "Gross domestic product", Annual Abstract of Statistics, 1990 Edition, page 245.
6. Italy: ISTAT, Conti economici nazionali, anni 1970-1989, page 18.
7. Canada: Statistics Canada, Gross domestic product by industry, March 1991, pages 8 and 9.
8. Austria: Österreichisches Statistisches Zentralamt, Österreichs Volkseinkommen 1989, page 61.
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10. Denmark: Danmarks Statistik, Nationalregnskabsstatistik 1989, page 35.
11. Finland: Statistik Centralen, National Accounts 1984-1989, page 35.
12. Luxembourg: STATEC, Les comptes nationaux de 1970 à 1988, page 96.
13. Netherlands: Central bureau voor de Statistiek, Statistisch jaarboek 1991, pages 342 and 344.
14. Spain: Instituto Nacional de Estadística, Contabilidad nacional de España, Base 1980, page 286.