Country Experiences on Pilot Surveys

Recommendations from the German point of view
for conducting annual surveys in the ICOBS sphere

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The pilot survey conducted in 1991/92 on behalf of the European
Community has met with considerable interest on the part of the
associations and enterprises of the ICOBS sphere and revived
the national discussions on the highly unsatisfactory data
situation and the suggestions for its improvement. The
experience gained from the pilot survey will therefore be
considered primarily with a view to future statistical surveys
in this field. The recommendations made for an annual survey
relate to the German situation, but they will presumably apply
in many respects also to other states with a free market
economy which so far have not had a statistical system and
mostly no regular surveys in the ICOBS sphere, either.

1. Framework conditions

    Presently, the following conditions apply in Germany for
    statistical surveys in the ICOBS sphere, but also in other
    economic sectors:

    a) There are no statistical registers in official
       statistics.

       At present, there are no statistical registers of
       enterprises or local units which contain all economic
       units and are updated on a continuous basis. The
       establishment of such registers is presently being

prepared. The implementation, which includes the provision of the budget funds required, however, presumably cannot be realized until 1996 at the earliest. Until then, any plans for a representative survey in the ICOBS sphere will have to account for the fact that first a population has to be set up on the basis of existing administrative registers, e.g. of the fiscal administration, and private lists of addresses e.g. of the employers' associations. As such lists generally do not comprise the information required for a sampling plan (allocation to economic branches, size characteristics such as persons engaged or turnover), a preliminary enquiry at the survey units cannot be dispensed with.

b) There is no binding and uniform system of accounts in the individual economic branches.

The uniform systems of accounts prescribed by the government in 1937 for comparing local units in industry and other important economic sectors have been maintained and further developed in the Federal Republic of Germany only as recommendations of the industrial associations to the respective economic branches. So there are branch-specific guidelines to which the respective enterprise may adhere or not at its own discretion. Accountable events are not allocated to the corresponding accounts according to uniform rules, neither within an economic branch, nor - and even less so - between branches. Only with regard to tax law regulations (e.g. taxation of turnover and incomes) can it be assumed that accounting positions are comparable.

This situation affects official statistical surveys considerably. For each survey characteristic to be covered it has to be examined thoroughly

- whether it is an element of industrial accounting at
  all - this applies in particular to small and medium-
  size enterprises -,

- whether it has to be covered for other than statistical
  purposes with this or a similar breakdown, and

- what effort would be involved for the enterprise if
  such data were provided for statistical purposes only.

Adequate survey characteristics would therefore be
aggregate characteristics of little detail, as e.g.
turnover or persons engaged. Where further information is
required, it is quite likely that the information to be
recorded is supplied only in the form of estimates. This
must be kept in mind whenever the reliability of
individual characteristics is assessed. These
considerations apply also to the EC survey in the ICOBS
sphere, which, however, for the sake of acceptance,
mainly included data that could be covered "easily".

c) Official statistical surveys require a legal basis.

When federal statistics are to be introduced, as a
general rule a corresponding statistical law has to be
passed by Parliament . This strong link to law creates
the necessary clarity of rules and legal certainty for
those obliged to provide information, and for the
statistical offices it means clear instructions and a
highly welcome continuity of work. This way of initiating
a survey involves a relatively long preparation period
for statistical laws during which all parties concerned
are heard, and a certain lack of flexibility since
changes of reality can be reacted to only with
considerable delays. The EC pilot survey was not subject
to these regulations as methodological investigations

preparing federal statistics are permitted under the provisions of the Federal Statistics Law, which generally governs official statistics in Germany.

2. Survey unit and scope of the survey

In the EC pilot survey, the enterprise turned out to be an appropriate survey unit. It proved right that especially in the case of multi-unit enterprises such survey characteristics as investments, wages and salaries can be recorded only for the enterprise as a whole. Although investments are made "on the spot", and wages and salaries are created in the respective local units as income, the enterprises concerned generally refuse to process existing records statistically as this would mean quite a lot of work.

The pilot survey covered enterprises from eight service fields generally classified to the ICOBS sphere. These are

- Computer and related activities (NACE 72)
- Legal and business consultancy activities (NACE 74.11, 74.12, 74.14)
- Marketing activities (NACE 74.4, 74.13)
- Technical consultancy and planning (NACE 74.2, 74.3)
- Renting of movables (NACE 71)
- Labour recruitment and provision of personnel (NACE 74.5)
- Investigation and security activities, building-cleaning activities (NACE 74.6, 74.7)
- Other business activities (NACE 74.8)

The services rendered by these enterprises are described as modern, enterprise-oriented services because they are largely "modern" activities that have considerably gained in importance only in the last 10 to 15 years, with functions

being increasingly transferred to third parties, and which
are used by the enterprises mainly as input for their own
production.

In our opinion, these eight fields should be supplemented by
three more service fields which will play an important part
in the economic development of Germany in the next few
years, and for which also only very few statistical data are
available. These are the commercial suppliers working in the
following fields:

- Real estate activities (NACE 70)

  This economic branch, which provides real estate services
  for own or third account, and finances and erects
  buildings later to be sold, is presently characterized by
  rising rents and real estate prices, mainly in the large
  business centres, due to increasing demand. The situation
  is deteriorating as there are hardly any reserves of
  building land and the cities and communinies are slow in
  allocating new building land.

- Post and telecommunications (NACE 64)

  This economic branch must be seen today in connection with
  informatics services (software, data processing,
  training), and electronic information services (data
  banks). The transmission of messages in the form of
  telecommunication is prerequisite to an optimum use of
  data banks.

  In view of the close relation, post and telecommunication
  services, whose privatization is now under way in Germany,
  have to be allocated to the ICOBS sphere.

Here it is particularly important to cover the private suppliers who have appeared in the last few years, e.g. in the courier and parcel service as well as in the telecommunications sector (mobile radio telephone services, value-added services of private firms on leased lines, etc.).

- Activities of other transport agencies (NACE 63.4)

Since the mid-seventies, there has been a fundamental reorientation process in the forwarding trade. Companies are switching over from the traditional forwarding business (as brokers for transport activities and the commercial shipment of goods) to a new role as agencies providing logistic services. An example of the new logistic requirements is the just-in-time production, which reduces the stocks, the time from the receipt of the production order till dispatch and thus the period of capital tie-up through an optimum coordination of procurement, production and sale. Here the task of the forwarder consists in developing specific system and complete solutions according to the requirements of the individual customer.

It has to be expected that the tendency towards specialization and the transfer of services to external suppliers will continue to grow, and that the part of the forwarding company as an agency providing logistic services will gain in importance. For this reason, the Activities of other transport agencies have to be classified to the ICOBS sphere and included in future surveys.

3. Classification of economic branches

The pilot survey provided for a presentation by eight fields
which were to be broken down further by activities (see
"Guidelines for a pilot survey ...", page 2.3.4 to 2.3.7).
The delimitations partly deviate from NACE Rev. 1. The
deviations are commented upon in the following:

Re: Computer related services (2.1)

The subdivision of NACE Group 72.6 into the positions
Training in data processing (with three sub-items) and
Other computer related services has not stood the test.
Where enterprises are mainly active in the field of
training, they offer a complete training programme. The
additional subdivision is not commonly used.
Also, it is possible only in exceptional cases to
distinguish between NACE Groups 72.1 and 72.2. In general,
the activities as a rule coincide.

Re: Professional services (2.2)

It is not meaningful to present *Accounting, auditing,
bookkeeping* and *Taxation, management consulting and related
services*. The NACE Groups 74.12 and 74.14 have proved
suitable for these activities with regard to their content.

Re: Marketing services (2.3)

The position *Advertising and direct marketing* is too
unspecific. A distinction will have to be made at least
between the creative activity of designing advertising and
the practical activity of distributing advertising material.

The differentiation between *Market research* and *Public opinion polling services* does not reflect the German situation. Enterprises in this field engage in both types of activities; they see themselves as market research enterprises.

Re: Technical services (2.4)

The prescribed further breakdown by the positions *Architectural services*, *Engineering services* and *Testing and analysing of all kinds of products and materials* meets practical requirements. Furthermore, it has been found that there is a specialization of architectural firms in

- building construction and interior decoration,
- local, regional and country planning,
- garden and landscape planning.

Re: Renting and leasing services (2.5)

The breakdown by *Automobile and other transport means* and *Other machinery and equipment* has proved satisfactory. It seems advisable to create another sub-item *Automobiles with a total weight of up to ... tons* in order to cover the market for passenger cars.

Re: Labour recruitment and provision of personnel services (2.6)
Re: Operational services (2.7)

The separation of each position into the two positions indicated reflects the German situation.

Re: Other business services (2.8)

Of this residual position especially the *Photographic activities*, which in Germany correspond to photographic business and photographic laboratories, are not part of the *Other business services*.

4. Variables collected

It is meaningful to cover a variable only if the information provided by the respondent is correct. This is ensured only if, with regard to a given topic,

- records are kept in the accounting system,
- the effort involved in providing the survey data remains reasonable and
- the respondents are in principle prepared at all to answer the questions.

If this is not the case, estimates may be provided which are so rough that they may produce misleading or even wrong results.

4.1 The recording of the following variables cannot be recommended due to lacking records or the unreasonable efforts involved:

- Breakdown of total turnover by the place of residence of the customer (8 b)[*] and the size of the enterprise (5.13)

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[*] The numbers indicated in brackets refer to the variables in the Methodological Manual of Statistics on Service Enterprises, Chapter "General Framework", Version 1.1, February 1992.

Only a breakdown by domestic and export sales seems practicable.

- Breakdown of domestic sales by groups of customers (8)
  At most, a breakdown by sales to enterprises and other customers might be feasible.

- Compulsory social security contributions (12 a)
  Employers' compulsory social security contributions can be recorded.

- Hours worked
  Only hours paid can be covered.

4.2 The following variables should not be covered as there would be opposition to data collection:

- Duties and taxes related to production other than VAT (28)
- Operating subsidies (29)
  In general, no information is provided for these variables.

4.3 The coverage of the following variables should be reconsidered as they are of little importance in terms of quantity.

- Change in stocks (30)
  This variable could at most be covered for the fields of *Technical consultancy and planning* and *Computer and related activities*.

- Purchases of goods and services for resale, for the further provision of services (13 a)
  Coverage would be possible - if at all - only for *Computer and related activities*.

- Fixed production (15)

  If at all, this variable could be covered only for the
  fields *Computer and related activities* and *Renting of
  movables.*

Finally, it should be pointed out that there is a gap in the
coverage of *Leasing used by the units* (18). Information
must be demanded not only on leasing expenditure but also on
the rental for tangible fixed assets, which still play an
important part.

5. Periodicity of the survey

The EC pilot survey had been announced to the enterprises as
an annual survey recording data referring to a point in
time, i.e. 31 December 1990, and period-related data for the
year 1990. These specifications were determined by the
information requirements prevailing in the ICOBS sphere at
that time, namely annual data for structural investigations
and for purposes of national accounts. The availability of
annual data would already improve the present situation as
there are no regular statistical surveys in Germany as yet
on enterprises providing market services, except for the
survey of non-agricultural local units (a complete
stocktaking of all economic sectors with a periodicity of at
least ten years) and the four-yearly cost structure surveys
(without an obligation to provide information) conducted in
selected service sectors only. Magnitudes such as turnover,
persons engaged, wages and salaries, investments and the
like would primarily improve the structural reports of the
Federation and the Länder. In addition, more exact data
could be compiled for the computation of the national
product by origin in national accounting by economic
branches and for the ICOBS sphere as a whole.

An annual survey could be the first stage of a statistical
reporting system which does not overburden the respondents
at the beginning. It also offers the opportunity to
cautiously prepare the further development, e.g. with regard
to short-time surveys.

Also in view of the existing shortcomings of the sampling
frame for representative surveys due to lacking enterprise
registers, an annual survey seems to be the most realistic
starting point. Certain inexactitudes resulting at the
beginning from a still insufficient knowledge of the
fluctuations can probably be accepted more readily with this
approach than with the attempt to establish for instance a
monthly reporting system. Although a monthly reporting
system would be most desirable for current economic
monitoring, too, it will have to be shelved until currently
updated statistical registers are available.

It can be expected that the experience acquired by the
responding enterprises and the statistical offices with an
annual survey will contribute to solving the open questions
connected with a reporting system for the ICOBS sphere. At
least in some ICOBS branches, these questions are presently
insufficient information even on important survey
characteristics such as turnover and persons engaged;
furthermore, some statistical magnitudes still have to be
recognized and operationalized for measuring the services
rendered.

6. Voluntariness of the survey

The pilot study left it to the selected enterprises to
decide whether they wanted to answer the questions or not.
This type of enquiry contrasts with the practice of German
official economic statistics, where the obligation to
provide information has as a general principle been

stipulated by law for all sample surveys conducted at
regular intervals.

The question of the voluntariness of the replies is closely
related to the reliability of the extrapolated results.
There are well-founded scientific investigations on this
issue from the years 1985 to 1987 for the microcensus, an
annual 1 %-sample survey of the population, but not for
economic statistics.

The above-mentioned comparative investigations of
microcensus surveys with and without an obligation to
provide information showed that the response rates which can
presently be achieved by voluntary surveys are at most 70 %,
while since 1950 they have always been over 95 % for surveys
with an obligation to provide information. For the EC pilot
survey, the number of questionnaires suitable for processing
was about 25 % as compared with the questionnaires
distributed.

The result of the scientific investigations on the
microcensus was that cases of non-response are not purely
coincidental and that the samples realized showed clear
distortions, particularly with more detailed distributions,
rare sub-populations and "problematic" population groups.
Moreover, the presumption has proved right that non-
participation is not clearly structured and - as far as a
structure can be recognized - it is not very stable so that
correction procedures are extremely problematical and should
actually not be used at all.

It has to be checked whether there are aspects due to which
a higher response rate might be expected for economic
statistics than for population surveys, provided that the
economic surveys are extremely well prepared and implemented
professionally. Such aspects may be

- a greater interest of the respondents in the results e.g for comparisons with their own business activity, as well as of the associations representing them,

- that the enterprise has a fixed location so that it can easily be contacted (the problem that persons cannot be reached because of an increased mobility of the population does not apply),

- that due to their social responsibility it is more difficult for enterprises to evade a survey than for natural persons,

- that the aim and object of the enquiry can be conveyed more easily to persons working as entrepreneurs than to other members of the population.

However, these aspects can be contrasted with "deterrent" arguments, e.g. the great volume of survey topics and difficulties in covering the characteristics, that is an additional burden without clear benefit for the individual respondents.

Considering all aspects, it seems rather unlikely that sample surveys conducted on a voluntary basis will lead to a higher response rate in business than in the case of population surveys. Experience shows that it is also unrealistic to expect that there is no distortion due to non-response and that statistical correction methods could therefore be used. A statistical survey to be conducted in the ICOBS sphere in Germany would therefore be proposed only with an obligation to provide information, as otherwise no reliable results can be expected.