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**Reflections on the Development of  
European Statistics on Services**

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# Reflections on the Development of European Statistics on Services

## 1. INTRODUCTION

The purpose of the present paper is to try to deliver support and material for the discussion and eventually definition of a long term collection strategy for service statistics within the EU and EEA statistical system.

The overall objective of such a strategy is not too difficult to define, namely to arrive at a regular data collection with

- Complete or at least reasonable coverage in terms of sectors
- Sufficient periodicity, characteristics and precision to satisfy expressed demands
- Satisfaction of the constraints which are the budgetary resources of the national statistical systems and the response burden put on enterprises.

Objectives and ways to achieve them are set out clearly in an action plan defined in Council decision 92/326/EEC from 18.6.1992 which was and is of utmost importance for the development of service statistics.<sup>1</sup> More especially this decision provides for the analysis of the needs of the different types of users (those of national users to be compiled by Member States themselves), which resulted in a large report on user needs.

The present paper tries to describe the particular European situation, adapts and specialises to service statistics and tries to take into account the special situation and demand inside the EU/EEA. It is far from drawing definitive conclusions but only wants to serve as a catalyst for the reflections of the Coordinating Committee for Statistics on Services (hereafter called CCSS, see annex for a description).

The present paper assumes furthermore that the current framework situation for European service statistics is not variable at short notice. It does therefore not make any proposals on business registers, statistical units or other general conditions but limits itself to service statistics within the given system. A wider view, like the one adopted in the above Canadian paper will certainly be required later.

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<sup>1</sup> This paper is also inspired by a paper of Statistics Canada (Mr. Jacob Ryten) titled "Business Surveys in ten Years Time: a Digression from Current Concerns" which has also been presented to the Voorburg Group in Oslo 1993 and a contribution of Statistics Canada (no author indicated) to the OECD meeting 1993 of services experts titled "A Strategy for the Collection of Service Statistics".

## 2. CURRENT SITUATION - BACKGROUND

When describing briefly the current situation of service statistics in Europe it seems appropriate to make some basic assessments:

- Services make up for a growing part of the economy, both in terms of employment and GDP. This part exceeds 50 % in most Member States.
- In most Member States there is a disproportionally little effort for most national statistical systems to observe the service economy. Traditional statistical areas seem to absorb the resources which tend anyway to be scarce. Even more disproportionality must be diagnosed in the effort spent by the European system privileging still traditional areas (e.g. agriculture and steel for political reasons). Until 1986 there was in fact not even an organisational unit dealing with service statistics in Eurostat.
- Since a number of years fortunately increasing attention is given to service statistics. Unfortunately the speed of increase is too low in order to compensate for general budget shortcuts.

For a number of reasons a certain change in consciousness seems to take place that something more drastically has to be done in favour of service statistics. One major reason could be the increased interest provoked by the institutional development of the EU, namely:

- The Single European Act installed an Internal Market with four freedoms of which one is the freedom to "circulate" services. Coordination rules are particularly difficult to set up in the service areas and their effect is particularly difficult to observe. This latter wish seems quite natural and is in fact expressed in a formal way by the Council and the Commission. It gave rise to the launch of a new project within Eurostat ("Follow-up of the Internal Market").
- The treaty on European Union extended the competencies of the European Institutions into areas which have been reserved to Member States exclusively before. The forthcoming years will show in how far this extended competence will lead to certain coordination rules which then make a statistical observation and a comparison between Member States indispensable.
- The recently terminated multilateral trade negotiations have shown that the object of those is no longer pure tariffs on goods but include services of all kinds. Some areas of high social and economic importance (e.g. audiovisual services) have been controversially debated. A first treaty (GATS) is signed which shall be put into effect and still extended in the future. For this process statistics will be an indispensable tool.

The Council of the European Union has taken into account this increased importance in adopting decision 92/326/EEC installing a two-year programme for the development of European service statistics. No detail is given here apart from saying that the implementation of this decision has led to a very beneficial vitalisation of service statistics in many fields.

Since approximately two years Eurostat is in the discussion process with Member States concerning a Council regulation to support general business structure statistics. This regulation would of course include service statistics as a main part. It is divided into a common module concerning all sectors, but a limited number of characteristics, and specific sectoral modules of which currently distributive trades is included and insurance under discussion.

When comparing the assumptions in the Canadian papers to the European situation it should be kept in mind that Canada is most probably in a favourable situation compared to most Member

States. The basic coverage still sought in the EC seems to be assured in Canada. As a striking example may serve the expressed wish for a survey of service consumers in order to study phenomena like externalisation and product classifications while the European concerns are yet more basic.

### 3. PRIORITY DETERMINING FACTORS

A basic hypothesis of Eurostat is that most if not all Member States want to expand their statistical knowledge in the services area. It seems very clear that it is the task of Eurostat to coordinate this progress in the sense that there should be agreement on the moves to be made. Only this coordinated progress and the respect of the existing statistics in various Member States will assure the future existence of European and harmonised statistics. It is virtually unnecessary to repeat here the utmost priority to support the European institutions in the pursuit of Community policies as prescribed by the treaties (see paper on analysis of user needs).

Eurostat is well aware of the difficulties which are met in the pursuit of an ambitious statistical programme. In fact the problems can be subdivided into two major classes:

- In a period of **austerity for national (and EU) budgets** it is difficult to convince the competent decision authority of the need of additional expense for statistics. In fact Member States' statistical offices are faced with constant budgets (or even restrictions) and do see little freedom of movement without cutting at other places which is a difficult and slow process.
- **New statistics mean also new burden for enterprises concerned.** This is particularly true for new service sectors where, in many Member States, no statistical tradition exists for responding to questionnaires. It must not be forgotten however that more traditional economic sectors are since long years and continue to be faced with this reporting burden. Apart from the argument of balanced reporting burden between sectors a refusal of statistics into new sectors would imply that an ever decreasing part of the economy is really observed.

Both challenges have to be faced in Eurostat's and the CCSS's considerations. The budget problem can only be tackled at short notice by re balancing priorities between statistical sectors. The assumption that too much effort is spent in certain other areas (which certainly have their need and merit) compared to service statistics seems in fact well defensible. The competent statistical bodies (and ultimately the Council of the European Union) will have to decide on a balanced statistical system for the whole economy.

As outlined before, Eurostat is very sensitive to the problem of burden on enterprises and particularly small and medium sized enterprises. New information is though not obtainable at no cost. Other economic areas and the enterprises active there are more acquainted to statistical response. Eurostat thinks that, despite additional complications due to the frequency of SME's, reasonably light (e.g. multi-annual periodicity) and conveniently adapted statistical surveys would work within services as they do in other sectors.

It is due to the above principles that the implementation of Council decision 92/326/EEC has a long term importance reaching far beyond the two-year programme. Its action plan is exactly laying the foundations for a sound knowledge of the existing statistics and for the future development.

When designing a strategic programme for the collection of statistics on services Eurostat and Member States have to respect that this is only possible in a coherent overall statistical environment (e.g. no reliable short term statistics without sound insight into the structure of a certain industry). This is of particular importance when analysing and implementing expressed needs of users which very often cannot be satisfied in an isolated way.

Given the complicated situation described above one indispensable requirement is to allocate priorities to possible statistical actions. At this stage it is not possible for Eurostat to propose definite priorities. What seems though possible is to propose a set of criteria which should influence the allocation of priorities. Most of them are in fact described in much detail in the report on user needs prepared according to article 4 of the Council decision 92/326/EEC:

- Satisfaction of needs arising from policies on Community level (Internal Market, GATS trade liberalisation, many other specific policies). A statistical action should prior to its adoption be checked whether it is pertinent for any of these needs.
- Specific new needs which have not existed before the adoption of the EU treaty. These needs have not been expressed very clearly yet, but shall nonetheless not be forgotten.
- Existence of statistical coverage in Member States: completing just a few countries can have high priority because of the limited overall extra resources needed. An important item is the argument of reciprocity in an Internal Market.
- Existence of other (administrative) sources of statistical information: concerning services these should be available in a number of Member States and sectors. Like the preceding point this criterion maximises the output compared with the resources put into the system.

Needs concerning national policies can arise for a given country. If the process is not a general one (and concerns thus the whole EU) it must be assumed that for this specific need national authorities would grant the required resources without withdrawing them from the resources allocated to statistics.

Given all these criteria the process will have to be a permanent tradeoff between competing objectives with limited resources.

The Canadian paper quoted in the introduction specifies a set of criteria to determine the relative importance between service sectors which are derived from their attributes: general economic importance, impact on the balance of payments, impact on competitiveness of other sectors, state of work (priority for ongoing work). These criteria are certainly in most cases not contradictory to the above but complementary and can thus be evaluated together (see also chapter on "considerations for special sectors").

#### **4. ASPECTS OF A GENERAL COLLECTION STRATEGY**

As a very long term overall strategy Eurostat has declared to deem necessary three types of statistics supported eventually by Community legal acts:

- **Structural business statistics** giving details about the population of enterprises, especially small and medium sized ones, their economic situation and behaviour, and their contribution to the general economy.
- As a special case with different statistical tools Eurostat deems necessary a legal support for **short term statistics in services**. A system of short term indicators comparable to the one

existing in manufacturing industry is a long term goal with respect to the weight of services in our economies. Reasonable use of resources is assured by including into the collection system only those service sectors having sufficient sensitivity for short term movements.

- Finally is sought a statistical observation system for the creation of **products in the service economy** (revenues and costs distributed over products). Little progress was made so far even in the methodological and nomenclature groundwork needed to get on to the objective. Eurostat proposes to reinforce its activities on this methodological groundwork in the forthcoming years.

The real development of European service statistics will most probably go in little steps which are in the end tradeoffs between different objectives and on different levels:

- Balance the weight of enterprise statistics within the whole statistical system, allocate a reasonable weight of service statistics inside the enterprise oriented statistics (manufacturing industries).
- Find a harmonic balance between the market/enterprise oriented services and those essentially provided to individuals and the communities (and non market services) and thus in taking into account special situations for specific sectors.
- Balance (or better harmonic parallel development) between structural, short term and product oriented statistics on services.

None of these tradeoffs is easy to decide upon and it would be most astonishing to find everywhere agreement immediately. It seems though indispensable to establish common proposals for the decision making bodies (SPC) if progress is to be achieved.

Priority considerations do have as well an impact on possible collection systems concerning volume (number and type of characteristics to be collected), frequency (sub-yearly, yearly or multi-yearly surveys) and scope (statistical units, sample sizes). A system of multi-annual rotation between different sectors already implemented in some countries could be envisaged on EU level.

As concrete example of this rotation principle may serve the case of distributive trades within the draft Council regulation on structural business statistics: first reference years for the subsectors (automobile trade, retail and wholesale trade) are distributed between 1996 and 2000 and the five year frequency thus generates de facto a smoothing of the burden over the years

## 5. CONSIDERATIONS FOR SPECIAL SECTORS

Apart from the more general considerations in the preceding chapters for a number of sectors some specific topics arise. This turns into the allocation of relatively high priorities for some sectors because of "political" circumstances.

The importance of **DISTRIBUTIVE TRADE** has already been demonstrated by the presence of an annex to the draft regulation on structural business statistics. Preparation work has largely matured for this sector and the demand for information is a long-standing item as well already treated by the Council for many years. Much practical work has as well been done in this sector, e.g. pilot survey, publication "Retailing in the European Single Market" etc.

**TELECOMMUNICATION SERVICES** are of strategic importance concerning overall competitiveness (sensitive as well in the GATS framework). They are moreover in a process of

progressive liberalisation as decided already by the Council. The sector will move in most countries from a quasi-monopolistic to at least an oligopolistic situation with large competition. It seems indispensable to follow this development closely. It is furthermore likely that the effort to be deployed for statistics is limited because of regulatory bodies collecting information from all concerned enterprises for supervisory purposes (universality of service). Similar arguments may apply to most or all other **POSTAL SERVICES**.

**AUDIOVISUAL SERVICES** have proved in the recent past (GATS negotiations) to be of high international importance. They have furthermore big social, cultural and economic implications in our societies and form a very dynamic sector (technology, multi-media, convergence with advanced telecommunication services). Methodological preparation work is followed by Eurostat very intensively, a pilot survey is being executed for this sector in 1994. Currently very few official statistics exist in most Member States, but a multitude of statistics compiled by professional organisations. The first and prominent role for Eurostat is thus the methodological harmonisation of definitions.

Rather complete regulatory frameworks even on European level exist for **INSURANCE SERVICES** (implementation of the large single market in 1994) and **FINANCIAL SERVICES** (implementation of the large single market in 1993; progressive implementation of the Monetary Union). They have normalised annual accounting schemes and are used to report frequently and thoroughly to their regulatory bodies or Central Banks. Little presence of SME's is expected in these sectors, except perhaps the auxiliary financial services, and all enterprises are well known because of authorisation procedures. These service sectors should therefore be studied separately and should not compete in terms of resources with other sectors.

Apart from the above more stringent considerations a particular need is seen in the area of **BUSINESS SERVICES** which due to their heterogeneity do not know very developed statistical information in most Member States. They are nonetheless a determining factor for the general condition of an economy.

A special case is the sector of **TRANSPORT SERVICES** to which a whole chapter and a policy in the EC treaty is devoted. Up till now the (numerous) statistics collected in this area tend to be of a more "physical" type (tons and ton-km, types of goods, distances, modes of transport). It appears though indispensable that these statistics are completed by information of the "enterprise economic" type.

The same argumentation, perhaps less strong and less institutionalised, applies to the **HORECA** (hotels, restaurants and catering) sector (largely identical to group II of the Canadian paper). When a Community statistics on tourism is being created it must be taken care not to omit the enterprise economic information about the market participants in this sector. It must not be forgotten that tourism is of utmost importance for the balance of payments of most countries.

The Canadian paper quoted before in the introduction breaks the whole service economy (except distribution and transport) into five groups:

Group I: local, traditional services (barber shop), group II: accomodation and food (parallel to group I), group III: traditional services using and thus creating demand for modern techniques (audiovisual, finance), group IV: services developing new techniques (computer and telecommunications), group V: services improving competitiveness of other sectors (engineering, consulting, advertising).

Specific considerations and strategies depending on the Canadian situation are developed for each of the groups which can certainly not be transmitted to the EC countries without adaptation. The criteria derived from the groupings are though completely compatible with the special considerations for some sectors developed earlier in this chapter. Some difference should though not be forgotten, e.g. whilst the Canadian paper sees international markets mainly in group IV the specific situation in the EC (Internal Market provisions) extends large international activities into groups III and V.

## 6. SOME PRACTICAL PROPOSALS

Data collection for service statistics is in the tension (described in the introduction) between the objective and the constraints on budget for NSI's and burden on enterprises. Given that the constraints may become still heavier in the future a series of theoretical possibilities to save resources or to optimise the effect of limited resources is given hereafter.

The first and most important is to distinguish clearly between characteristics subject to short or medium term movement and those being probably subject only to long term change, e.g. the total turnover in retail trade in a year versus the turnover by square meter of sales surface broken down by form of selling. This corresponds largely to the mechanisms already adopted in the draft Council regulation concerning rotation of sectors or subsectors, periodicities etc (see provision for distributive trade described before). However the following proposals do perhaps apply more to adhoc measures in a non-stabilised situation of statistical data collection:

- Sometimes it may be sufficient to restrict the participation of countries of the EEA to a sample of those and draw conclusions on the others by analogy (e.g. role and influence of business services in industrialised economies). Of course the sample of countries has to be representative for the entire "population" of countries. The possibility outlined with an enormous savings potential may above all apply to pilot studies and surveys where a complete participation may be dispensable (real estate in country1, waste disposal in country2, business services in country3). The success of this sampling technique depends of course on the efficiency of communication and information exchange between Member States, task typically devoted to Eurostat.
- The sampling technique outlined for countries may well work at even lower level for structural data. Sampling on some typical (and representative ?) regions may make redundant a survey on national range with a good savings effect (may be especially appropriate for countries with a federal organisation in statistics). This technique seems above all applicable when it comes to study oriented surveys (industrial region around a major city). Concrete experience exists for the surrounding of Milan (Italy).
- Existing data collection systems (e.g. panels on enterprises) may potentially be optimised by adding specific questions concerning services statistics at a low marginal cost.

The use of alternative data sources, above all administrative sources of all types (social security, labour administration, fiscal authorities, registration and authorisation sources etc) has to be developed consequently for each type of collection measure. In the interest of reducing the burden on enterprises intelligent solutions shall be found which allow the synopsis of several of these sources for the same individual enterprise without violating existing principles or legislation on privacy and data protection. Especially for service statistics, but also for others, there should be a great potential which needs to be made use of. Administrative sources can e.g. be used for annual updates of multi-annual surveys (perhaps also for the improvement of the



transfer of results achieved in one region/country to other regions/countries).

## 7. CONCLUSION

All efforts to develop and strengthen services statistics within the European Union are of course subject to the prior verification and observation of the principles of *subsidiarity and proportionality*, as laid down in Article 3B of the Treaty on the European Union.

The red thread of this paper like in the Canadian ones is the concern to make best use of the scarce resources and to maximise the marginal benefit of any extra expense. The Canadian paper expresses this concept in terms of reserving expensive tools (surveys) for sectors with adequate importance and where no other possibilities exist.

Eurostat would be glad to arrive progressively, after discussion with all persons concerned and willing to contribute, to fill in a sort of "tableau de bord" on the development of service statistics on European level. This table would contain three dimensions, namely:

- The services sectors in appropriate groupings, perhaps split into basic characteristics and sector specific parts;
- The type of tasks or results to be achieved (e.g. methodology, tools and administrative structures, data collection, publication and dissemination, information system);
- The time axis covering years from 1995 onwards.

This "tableau de bord", of course imbedded into the Statistical Programme, could along the process serve as planning instrument and control of results.

*As indicated in the introduction, this paper could not supply ready-made solutions for the development of harmonised service statistics in the European Union. It has delivered elements for discussion to the CCSS which is asked to deliberate upon and to give the necessary orientation for the next few years' work.*

## Annex

### Coordinating Committee for Services Statistics

#### CCSS

The Coordinating Committee for Statistics on Services has been created soon after the DGINS conference of Palmela which initiated the European effort to create harmonised statistics on services from scratch. Major achievements have been realised like the methodological manual, several pilot surveys, regular data collection (MERCURE) etc. In all these achievements the CCSS had a prominent role as being for some time the only forum of discussion on EU level. Quite recently this prominent role has been confirmed in the implementation of Council decision 92/326/EEC which is a milestone in the development of European service statistics. It is therefore only natural that the CCSS, together with the sectoral working groups, is the competent body to discuss and define the collection strategy for service statistics.

The CCSS is itself to be seen as a working forum of the Statistical Programme Committee created by Council decision 89/382/EEC, Euratom of 19, June 1989 and is responsible to this Committee. This becomes rather clear in looking at the Council decision 92/326/EEC where it is the SPC which endorses finally the decisions to be taken.

After the process of opening the relations between EC and EFTA countries which ended with the conclusion of the EEA treaty (European Economic Area) the CCSS comprises 18 countries as full members with Switzerland as (active) observer. In the framework of the cooperation with countries from Middle and Eastern Europe (PHARE and TACIS programmes) these latter are informed of the Committee's work and do often participate as observers too.

Apart from ad hoc Task Forces directly created by the CCSS over the years a pattern of working groups has developed which is shown hereafter. These working groups have created on their own task forces to deal with complicated matters requiring special knowledge or needing long discussions.

- Distributive trade working group: this group meets since many years and is itself seconded by a Task Force.
- ICCBS/AS working group: this group had not met since several years until January 1994. It saw itself faced with so specialised and complicated matters that it decided to create three task forces which must be regarded as quasi-permanent. The group itself is then the coordinating forum between the task forces and will assume responsibilities and areas not covered possibly by any of those. The Task Forces are: Task Force ICO information and communication services (first meeting is scheduled for February 1995), Task Force business services and Task Force AS audiovisual services (met in 1993, February 1994 and May 1994, will meet in September 1995)
- Insurance services working group: was created as split of the financial services working group in early 1992 and has met several times since then. It is seconded by a Task Force insurance services which meets twice a year.
- Financial services working group: is the remainder of the group with the same name having

met in October 1991 for the last time and having then included insurance yet. It will meet for the first time in January 1995 (?). The Committee on Monetary, Financial and Balance of payments Statistics CMFB is supervising this working group so that this topic is not directly under the supervision of the SPC and thus the CCSS.

- ESIS working group (European Statistical Information system on Services): this group met first in March 1994.
- Task Force on short term statistics for services: met once in April, 1994 and reports directly to the CCSS.

In the past and due to the prominent position of the CCSS in the framework described above the competence of it has covered the following items:

- Follow-up of working groups
- Discussion of common methodological items
- Interface to decision taking bodies
- Links and coordination with other international bodies.

The competence for the following items has not been as obvious as the above but would appear quite naturally to assume: nomenclatures, internationalisation in service industries, follow-up of the impact of the Internal Market and contact to professional organisations.

The initial statement, namely the competence of the CCSS to define the collection strategy, seems completely confirmed by the considerations above.