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THE DEVELOPMENT OF EUROPEAN STATISTICS ON BUSINESS SERVICES

Some ingredients for a strategy

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SUMMARY

Adequate statistics on business services on a European level are virtually non-existent. In a joint effort StatNeths, Statistik Danmark and Eurostat intend to develop a strategy to change this alarming reality.
In this discussion paper some of the starting points of this strategy are presented. The paper follows in the footsteps of recent documents by StatsCan and Eurostat. These documents provide various recommendations for the development of service statistics in general.
This paper zoomes in on the specific sector of the business services. It contains some additional ingredients for a strategy that may be successfully implemented in the short run. Therefore, the approach chosen is customer-oriented (close consultations with trade organisations are considered as a sine qua non*) and pragmatic. The paper stays far from the often sketched revolutionary perspectives with regard to the current deplorable infrastructure in Europe (business registers and other general conditions).*
Because of the prevailing financial restrictions all business services can not be covered statistically at once in the short run. Therefore, priorities have to be established. At the end of the paper the subsectors are confronted with various decision criteria. It is illustrated that, on the basis of Dutch data, some subsectors clearly are more important and more in need of statistical information than others.

EUROPEAN STATISTICS ON BUSINESS SERVICES: SERIOUS SHORTCOMINGS

According to inofficial estimates (i.e. not published by National Statistical Institutes) based on far from complete data business services around 1990 accounted for 6% of the European Union's GNP and for 5% of total employment. The annual rate of growth of at least 15% per annum during the Eighties (it could have been more -we don't know the reality) was the highest among all market services. Because of these figures, but also because of the influence of business services on the organisation and the dynamics of many enterprises, it is undisputed that this sector is among the most significant ones in the European economy today.

The Netherlands

About 15 years ago StatNeths started with the statistical description of business services (see Annex A for a visualisation following NACE Rev. 1). Up till now, the so-called production statistics form the main part of the information system on business services. These annual statistics describe the production process of kind-of-activity units on a nation-wide basis. They provide exhaustive information on turnover, subsidies, purchases of raw materials and intermediate products, labour costs, gross and net results, investments, etc. In addition, data are provided on the number of persons employed. Table 1 presents key figures for some subsectors for the years 1987 and 1993.

Table 1 Key figures on some business service sectors (1987 - 1993)

	1987	1993	index
	Hfl mln [1]		
Value added (gross, market prices)	440 840	579 040	131
renting and leasing services	758	1 814	239
computer and related services	2 611	4 509	173
accounting, book-keeping etc.	3 705	5 748	155
market research and management cons.	987	2 638	267
arch. and engineering act. and testing	5 066	7 108	140
advertising	1 149	2 012	175
labour recruitment	488	824	169
industrial cleaning	1 963	3 121	159
other business services	1 832	3 216	176
	x 1 000		
Total employment	4 911.0	5 318.0	108
renting and leasing services	9.9	16.6	168
computer and related services	28.4	43.6	154
accounting, book-keeping etc.	51.3	65.0	127
market research and management cons.	13.8	33.3	241
arch. and engineering act. and testing	63.8	80.6	126
advertising	18.4	27.3	148
labour recruitment [2]	6.1	8.9	146
industrial cleaning	118.7	153.9	130
other business services	30.1	59.3	197

[1] ECU exchange rate 1990: Hfl 2.31192. In 1990, 1 US$ = Hfl 1.82
[2] Only employment in the subsector itself, i.e. excl. intermediated people

Like all production statistics, business services use the *institutional*

institutional approach. This means that the system focuses on the main economic activity of a unit. In a *functional approach* a complete coverage of the production process would require that the total output of a certain product is covered by a series of production statistics, irrespective of who produces the product. The functional approach is appropriate if one wants to get an insight into products in the business community.
In addition to data on the supply of business services, information on the demand (i.e. the value of purchased services, by commodity and industry/sector) is relevant. It should therefore also be considered to introduce a functional approach, at least periodically.

In the production statistics on business services all large firms (which employ over 20 persons) are included, while the smaller ones are covered on a sample basis. StatNeths uses a central business register as the sample framework. In principle, this register contains all units involved in the economic process. The questionnaires are strongly focused on revenue and costs structures. Other items e.g. concerning a differentiation of employment (by age, sex and school enrollment ratios) are covered by different statistics and integration on a micro-level often is an intricate affair. Furthermore, the annual statistics are not, like the agricultural and industrial statistics, supplemented with quarterly and monthly statistics. Because of this but also because there still is no authoritative classification of service commodities available (which is a prerequisite for the conduct of surveys that are stable over time) business service statistics in the Netherlands certainly are not as complete as those for primary and manufacturing industries. However, the Netherlands contrast favorably with most other countries in the European community.

Europe

Even from a superficial look at publications such as the annual *Panorama of EU Industry* (An extensive review of the situation and outlook of the manufacturing and service industries in the European Union), commissioned by the Directorate-General Industry of the Commission of the European Communities, it immediately appears that for most EU countries no reliable, comparable and continuous figures on business services exist.
Some sectors such as *management consultancy* and *industrial cleaning* are relatively well covered, but for most other sectors even the basic

information on turnover and number of employees is lacking in many countries. Furthermore, the available information usually is not published by National Statistical Institutes, but by trade organisations, i.e. by parties directly involved. This means that a number of crucial comparative advantages of NSI's, i.e. impartiality, coordination and consistency are not (fully) exploited here.

Because of the lack of adequate statistics, any in-depth analysis of the performance of subsectors within the heterogeneous business services sector is seriously hampered. Thus, many important questions simply cannot be answered appropriately. These questions concern *inter alia* the dynamics of the various ways in which enterprises choose to rely on services offered by specialised businesses, the internationalisation processes, the creation of new jobs and job qualifications. This situation easily leads to errors of judgement when strategic or political decisions have to be taken. Many researchers and statisticians but also an increasing number of policy-makers are convinced that business service statistics are underdeveloped compared to other economic areas and that this situation should change as soon as possible.

However, up till now neither the various NSI's within the European Union nor international organisations such as the OECD and Eurostat have been able to undertake decisive initiatives to end the favored position of the goods producing primary and secondary economic sectors.[1]

Why is the situation so depressing?

A multitude of factors is responsible for the present impasse.

* In a period of protracted budget retrenchments it turns out to be difficult to reallocate scarce financial resources towards business service

[1] The expression 'goods producing primary and secondary economic sectors' to an increasing extent needs some explanation. Technological developments have produced a crisis for the traditional methods of measuring economic reality, especially at the macroeconomic level. The value added content of goods often includes dominating proportions of services inputs (e.g. research, design, accounting, distribution). Some even feel that the organisation and description of service sectors and subsectors are becoming rapidly obsolete and that a new definition of productive work is needed, to reflect the fact that many people in manufacturing are performing services. See Julian Arkell, Service Statistics: the key issues (A reminder for the Coalitions of Services Industries). Dublin, Ireland, March 1995.

statistics [2].

* Business services in recent years have shifted many times from the one organisational unit in Brussels to the other. And in Luxembourg until 1986 Eurostat had no organisational unit at all dealing with service statistics. The first -and up till now also the last- Eurostat Task Force meeting on business services was held in 1989. This, in combination with the fact that existing lobbies of traditional areas are very strong, seriously limits the pushing power needed to draw the attention of the policy makers to the business service sector.
  A potential milestone was the adoption by the Council of the European Union of decision 92/326/EEC installing a two-year programme for the development of European service statistics. The implementation of this decision has certainly led to many fruitful thoughts about how to develop service statistics (including business services) and to a number of useful pilot studies, but this still did not lead to major breakthroughs [3].
* Business services are very heterogeneous. They show a large variety both in economic terms and in terms of the persons employed. Despite the high overall figure, this is also true with regard to growth dynamics. Furthermore, various business services require different skills, they organise their production and marketing functions differently, they make use of different levels of technology, they serve different markets and they respond differently to changes in economic conditions. Because of their widely varying characteristics they do not have the same information needs nor do they raise the same measurement problems. Next to this, developments in some subsectors take place at such an enormous speed that there is a risk that the information collected today according to specific methodologies will not suffice tomorrow. These factors implicate that when a new survey starts, success is certainly not guaranteed from the outset. Potential financiers therefore proceed with caution.
* An increased coverage of the business service sector also means that an extra administrative burden is imposed on the enterprises concerned. The complaints about this burden in recent times can increasingly be heard in political circles of EU countries.
  Even under such less favorable circumstances there still are alternatives with regard to business services imaginable:
  . An exception is made for business service statistics when reducing the burden. This means that other sectors have to cut sample sizes or length and details of the questionnaires. This option seems reasonable where, like in the Netherlands, it appears that the greater part of the statistical burden is caused by a small number of statistics. Notably the industrial and construction statistics as well as the statistics on foreign trade are the malefactors.

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[2] This can be illustrated by recent StatNeths experience. During the initial phase of a fundamental reorganisation process that started around 1990 it has repeatedly been put forward that the division of the personal and material means devoted to the various statistical fields would be held against the light. This intended reconsideration should take into account the fact that the economic impact of the primary and secondary sectors has clearly been reduced during the last decades, in favor of the services sector. Despite these statements it is obvious by now that reallocations at the expense of other statistics (because the available budget does not allow for additional expenses) are extremely difficult to realise. What is needed seems some kind of a *frappez frappez toujours* scenario.

[3] The discussions about recent regulations of Eurostat are also not very elevating from the point of view of business statistics. In the draft regulation on short term indicators, for instance, only a common module is foreseen for all business service activities. Specific modules (containing more detailed variables) are reserved to notably industry and construction statistics. Most countries seem to be satisfied with this approach, probably because with regard to business services they would have to start from scratch (there is no central business register, etc.) while there is no money available. So it's only natural that they are more inclined to extend already existing surveys. The result is, however, that traditional statistical areas keep absorbing most of the resources, at the cost of service statistics.

- In most countries for business services no statistical tradition exists for responding to questionnaires. Negative experiences of enterprises included in new samples probably could be prevented to a great extent by assuring a commitment from "the field" (this argument is being elaborated in more detail further on).
- It is worthwhile to investigate if some time-honored sampling methods (i.e. by means of a survey) can gradually be replaced by other techniques. In some countries existing alternative sources of statistics might be implemented such as administrative sources of all types (see for this item the paper of Huib van de Stadt). Furthermore, EDI comes rushing. However, the potential benefits of EDI for the collection of business service data are at this stage not very clear since there is a high number of small sized enterprises with their book-keeping in a non-electronic form.

THE ROAD TO PARADISE

From the previous paragraph it appears that essential breakthroughs with respect to the rather deplorable situation of business service statistics in Europe up till now have not really been realised. It is true, that the various pilot studies that were conducted in recent years have clearly outlined the problems, i.e. the statistical shortages. But it is also true that many proposals and recommendations with regard to the setting up of statistics are leading a quiet life in official drawers.
Whatever the case may be, the absence of adequate statistics on the European level is still an alarming reality. Obviously, new action oriented inspiration is needed.
In a joint effort StatNeths, Statistik Danmark and Eurostat intend to develop a strategy for the development of European statistics on business services.
Because the discussions about priorities and finances involved are still going on at this stage the strategy has not yet been operationalised on a European level. However, it is demonstrated that as a result of a confrontation with several decision criteria, some subsectors clearly are more in need of adequate statistics than others.

Some Ingredients for a successful strategy

This paper follows in the footsteps of recent documents [4] on a strategy for the development of service statistics in general. These documents contain a number of useful recommendations which are taken as points of departure here. In this paragraph I will present some additional and in my view essential ingredients for a successful strategy for the development of *business service statistics* on the European level.

The **first ingredient**, and probably the most important one, is the creation of a support from "the field" i.e. from the enterprises concerned.
I believe that it is almost inexcusable that enterprises which deliver the micro-information for the statistics and for which the results should be of paramount importance, often are not considered to be a critical success factor. Usually only the information needs of the Government, the

[4] Notably two contributions of StatsCan to the OECD Meetings of Service Statistics Experts (1993 and 1994 respectively) entitled "A strategy for the collection of service statistics" and "The services initiative: A strategy for the development of services statistics; the implementation plan" and the Eurostat paper "Reflections on the development of European Statistics on services" (N. Wurm, 1994). Furthermore, use has been made of Thierry Lebeaux' study "Les services aux entreprises dans l'union Europeenne; Note de synthese". Luxembourg, 1994 and "Business Services in Europe", prepared by Eurostat under a contract with Danmarks Statistik. Office for official publications of the European Communities, Theme 7, Series C. Luxembourg, 1995

international institutions and the NSI's are taken into account. I want to plead for a fundamentally different approach. Consultations with the enterprises concerned or if possible with their representatives, the trade organisations, should be a *sine qua non* whenever new questionnaires are being prepared. Without intensive contacts beforehand no surveys should be started. This means, that the information collected should *always* be usable for private enterprises.
StatNeths has had several discussions with representatives of business service organisations. From these discussions it became obvious that the information derived from the production statistics described earlier in this paper was only used to a limited extent. The many details StatNeths asks its sample population -notably on the operating costs- are mainly used by the National Accounts Department. Many enterprises share the opinion that these annual questionnaires take (too) much time to fill them in and that, because of this, the information given is not always reliable (despite the fact that in the Netherlands the enterprises concerned are enforced by law to cooperate). Subsequently, StatNeths needs time to process the data. Therefore, publication of the annual exploitation results usually takes more than one year. This lack of timeliness severely limits an effective use of the results by many potential clients.
From contacts with trade organisations it also appeared that it is worthwhile to reconsider the annual production statistics.
Maybe they could be replaced, at least periodically, by less exhaustive surveys. We could learn from the approach of some trade organisations. For instance the FEACO, the international organisation of management consultants regularly conducts rather concise surveys among its members. Although this organisation is not allowed to use compulsory measures the first and admittedly not fully representative results for the year 1994 have been published already at the beginning of 1995. Next to this it appeared, that the management consultants showed a great interest in a differentiation of their products as well as by the users of their products. Needless to say, that this requires a perfect product classification.
Of course, a statistical exercise of any kind imposes a burden on businesses. But the perception of the burden unmistakably has some emotional aspects too. By this I mean that as soon as businesses become aware of the fact that they can benefit a great deal from the information obtained, the initial reluctance often disappears.
In order to raise the commitment on the side of the enterprises it should be considered to contract consultants. This guarantees particular expertise from the side of the sector itself. It precludes mistakes in the construction of the questionnaire. Besides, in their contacts with StatNeths trade organisations showed a strong preference to cooperate. It was obvious, that statistics which are objective, reliable and undisputed represent an enormous advantage for these organisations. So, both for the expertise work as with regard to the mobilisation of respondents, I propose to establish partnerships with those organisations.

The **second ingredient** is, that the strategy should be pragmatic and output-oriented. If anything is needed now, given the actual situation with regard to business service statistics on the European level, it is a strategy that can be successfully implemented in the short run. Therefore,

no sweeping statements are made and no revolutionary perspectives are sketched with respect to the current deplorable infrastructure in Europe (business registers or other general conditions).
A pragmatic approach in the case of business service statistics means that certain restrictions are imposed deliberately. For instance:

- the *participation of countries in a certain survey is restricted* and conclusions on countries not included are drawn by analogy.
  In practice this could lead to a certain preference for countries which show a genuine interest in a business services project and which, in combination, more or less represent the European average adequately. Another possibility is a sample which consists of one of the larger and one of the smaller countries (in terms of GDP or in terms of the estimated economic impact of a subsector) and a country were the expected sampling costs will be low because of an already existing information system or some other infrastructural tool. One of the countries can act as the project coordinator (spirit of subsidiarity).
- *not all subsectors are being surveyed*, but only the most important ones in terms of turnover, employment, growth dynamics, etc. (see further on)
- the *sample size is related to the available scarce resources* with more emphasis than usual. This means that aspects such as the degree of concentration are taken into account. If, as is the case for the Netherlands, the share of size class 5 and over in the total turnover of the computer service branch exceeds 80%, then a large sample of the remaining 20% seems dispensable.
- the same holds true for the questionnaire. It is justifiable to send the more exhaustive questionnaires to the large firms and the concise questions to the smaller ones.

On the other hand, it is worthwhile to consider an extension of the questionnaires with new variables, for instance with respect to an employment differentiation (see next section). However, wherever possible and feasible, alternatives (administrative data) should be used.

The **third ingredient** has to do with the concrete choice for certain subsectors. As it is, because of prevailing financial restrictions all business services simply cannot be covered statistically in the short run. Therefore, priorities have to be established, based on decision criteria. In a 'priority table' [5] the scores of the subsectors on these criteria can be compared. After these scores have been weighted (the respective weights are the outcome of discussions) one can judge the results.

In Table 2 such an exercise has been done for the Netherlands. As many cells as possible at this stage have been filled in. If we assume for a while that the Dutch figures represent the EU average, then the following subsectors would deserve a certain priority:

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[5] The StatsCan document quoted in footnote 4, also gives a number of criteria to determine the relative importance of services sectors: general economic importance, impact on the BOP, impact on internal competitiveness (even a small service industry may make a significant contribution to the competitiveness of the economy as a whole), and work already underway (this should not be stopped abruptly).

Table 2. An attempt to establish priorities

ISIC.Rev.3 Criteria	7110 - 7120	7210 - 7290	7411	7412	7413 - 7414	7421 - 7422	7430	7491	7492	7493	7494 - 7499
. Quantitative impact											
- share in GVA (%) 1992	0.9	0.7	0.9	1.1	0.5	1.3	0.4	1.0	..	0.7	0.9
- share in employment (%) 1992	0.2	0.6	0.3	1.6	0.3	1.3	0.2	2.6	..	2.5	1.2
. Dynamics											
- Δ share in GVA (%) 1986-1992	140	149	39	55	194	59	100	50	..	66	130
- Δ share in employment 1986-1992	154	189	117	114	190	121	121	129	..	118	146
- innovation: change in products	-	++	-	+	++ -	+	+	+	+	+	-
- change of productivity	.	-	.	-	- -	.	-	-	-	.	.
- births / deaths	..	--	..	..	-- --	..	..	..	..	..	..
. User needs											
- detailed structural information											
* NSI's, Eurostat	++	++	++	++	++ ++	++	++	++	++	++	++
* professional associations	+	+	+	+/-	++ +/-	+/-	+/-	+	+	+	+/-
- short term indicators	+/-	++	+	++	++ +/-	++	+/-	++	+	++	+/-
- breakdown of products	+/-	++	++	++	++ +/-	++	+/-	++	+	++	+/-
- breakdown of markets	+/-	++	++	++	++ +/-	++	+/-	++	+	++	+/-
. Data availability											
- structural	y	y	op	y	y y	y	y	y	y	y	op
- short term	n	n	n	y	y n	y	n	y	n	n	n
- products (CPA)	n	n	n	n	n n	n	n	n	n	n	n
- markets	n	n	n	n	n n	n	n	op	n	n	n
. Data collection aspects											
- Easy/difficult (score 10-0)	6	6	.	8	6 5	6	7	8	.	7	5
- EDI-perspectives	+/-	++	++	++	++ +	++	++	++	+/+	+/+	+/+
- External registers	+	-	+/-	+/-	+/- +/-	+/-	+/-	-	-	+	+
. Internal market evaluation											
- Degree of externalization	..	..	..	..	.. ..	..	..	..	..	..	..
- Concentration: share large firms GVA	42	55	..	55	10	45	18	22	..	60	39
- Degree of internationalization											
* exports of BS (% of total)	1	6	.	2	7	24	3	0	.	1	20
* establishment trade	.	.	.	.	. .	.	.	.	.	.	.
. Employment											
- Education level	..	..	..	..	.. ..	..	..	..	..	..	..
- Woman (%)	22	25	55	36	44	22	47	51	..	70	31
- Age	..	..	..	..	.. ..	..	..	..	..	..	..
- Parttime (%)	9	4	.	11	22	6	12	7	..	76	.

Explanation of symbols

++ = very high/large
+ = high/large
+/- = medium
- = low
. = not available
.. = not readily available
y = yes
n = no
op = only partially
GVA = gross value added
(Dfl billion 563080 in 1992
Dfl billion 437650 in 1986)

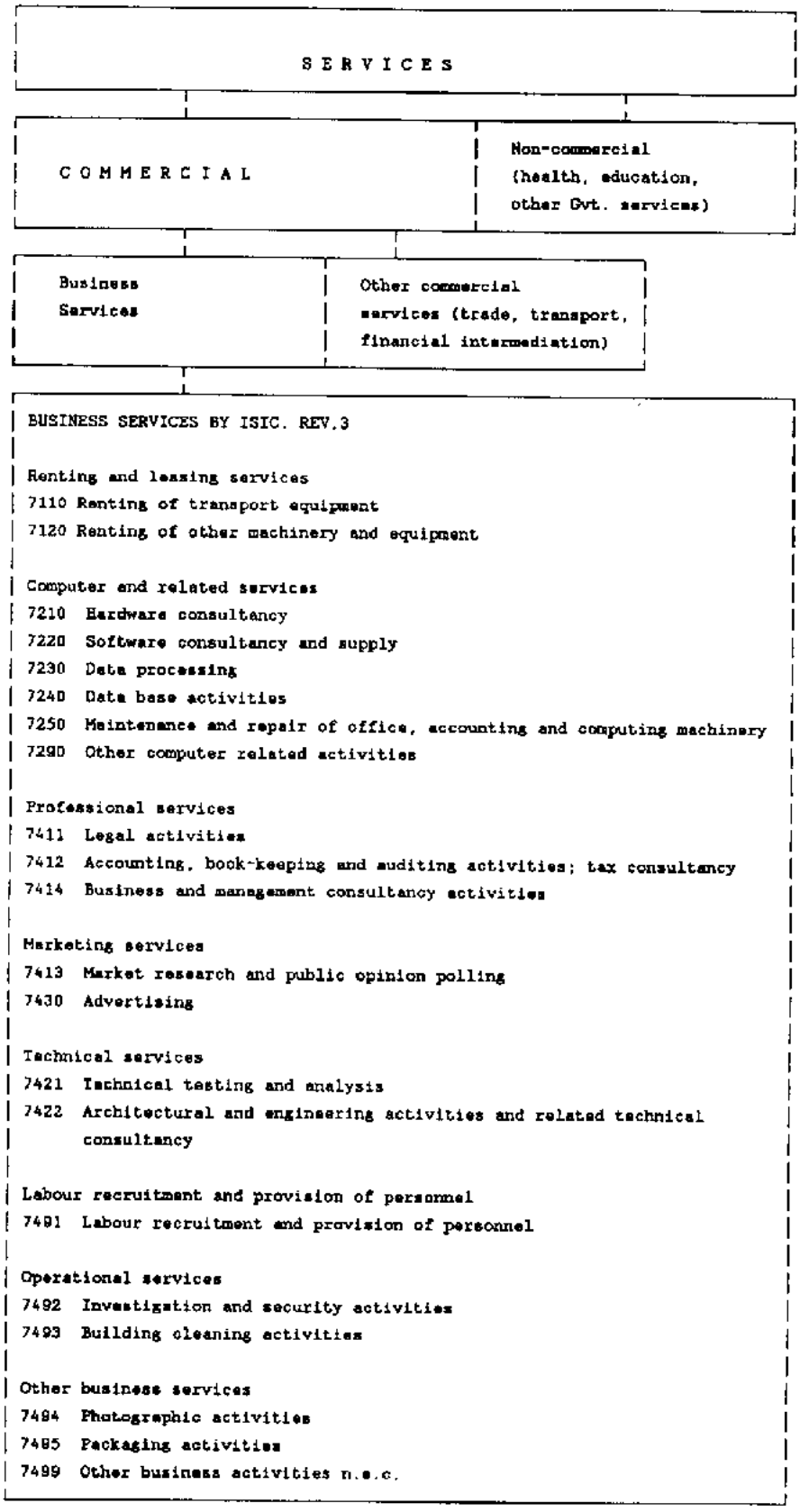
Large firms = >100 employees
Parttime = <30 hours

Computer and related services
This sector shows a very high rate of growth in turnover, user needs are high, the degree of concentration is substantial and EDI-perspectives are favorable. The workforce consists of young and often highly educated personnel. On the other hand, many experts do not have a formal education which indicates an interesting job creation process.
The convergence of communication and computer technologies gives the technological changes of the 1990s a radical character. Not only a few products or industries are concerned, but the entire way of life in the advanced economies is strongly affected. The information technology is underway to become a new techno-economic paradigma, a new economic model.

Labour recruitment and the provision of personnel
Figures on temporary employment are considered as an important business cycle indicator. There is a huge interest in statistical information on temporary jobs.
The recent explosive growth of temporary employment not only has a cyclical dimension, bus also a structural one.
Because of a number of factors the character of labour changes fundamentally. The most significant factors probably are: the protracted individualisation process (leading to an increasing demand for parttime jobs in different surroundings); the fact that businesses want to increase the flexibility of their work force to be able to react appropriately to rapidly changing market conditions; increasing competition from low wage countries (they deliver components of e.g. machinery while the assembly takes place in rich countries by temporary workers; and the modern communication technology (e.g. on line connections with suppliers all over the world leading to increasing tele-working). In the Netherlands at present about 2.5% of the work force stems from temporary jobs. It is expected that this % will raise to 4-5% around the year 2000.

Industrial cleaning
This subsector is important with regard to its large number of employees and the characteristics thereof (i.e. nationality distribution, part time and 'precaire' employment, chances of low-skill workers, formerly unemployed persons). The majority of them is female. In many countries this sector is characterised by hard labour pressure and low wages. The adaptation process to (international) market conditions probably is a fruitful field of studies concerning Social Europe.

ANNEX A


SERVICES
COMMERCIAL
Non-commercial (health, education, other Gvt. services)
Business Services
Other commercial services (trade, transport, financial intermediation)
BUSINESS SERVICES BY ISIC. REV.3
Renting and leasing services
7110 Renting of transport equipment
7120 Renting of other machinery and equipment
Computer and related services
7210 Hardware consultancy
7220 Software consultancy and supply
7230 Data processing
7240 Data base activities
7250 Maintenance and repair of office, accounting and computing machinery
7290 Other computer related activities
Professional services
7411 Legal activities
7412 Accounting, book-keeping and auditing activities; tax consultancy
7414 Business and management consultancy activities
Marketing services
7413 Market research and public opinion polling
7430 Advertising
Technical services
7421 Technical testing and analysis
7422 Architectural and engineering activities and related technical consultancy
Labour recruitment and provision of personnel
7491 Labour recruitment and provision of personnel
Operational services
7492 Investigation and security activities
7493 Building cleaning activities
Other business services
7494 Photographic activities
7495 Packaging activities
7499 Other business activities n.e.c.