



**Tenth Meeting of the
Voorburg Group on Service Statistics**

**Voorburg
11 - 15 September 1995**

Session 1

***Towards the Development of Harmonised
European Statistics on Services***

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Towards the Development of Harmonised European Statistics on Services

Contribution to the Voorburg Group meeting 1995

NW/draft 7.08.1995

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Abbreviations used:

EU	European Union
MS	Member State(s)
NSI	National Statistical Office(s)
ESS	European Statistical System

Abstract

Eurostat submitted a first paper on the development of European services statistics to the ninth meeting of the Voorburg Group in Sydney 1994. The conclusions of this meeting as well as the reflections of the Eurostat Coordinating Committee on Services Statistics and other experiences are taken into account.

The present paper describes the specific situation in the EU concerning legal, administrative and factual environment for services statistics and submits an approach subdivided in horizontal and, rather more detailed, sector specific measures for which the advice of the Voorburg Group is sought.

1. Introduction

Over the past years and within different frameworks (Voorburg Group, OECD, Eurostat, series of national initiatives) there was a general feeling that the desirable and at the same time sustainable development of services statistics needed a strategic approach.

Several similar papers preceded the present one which have developed a set of criteria for priorities.

The present paper intends to outline the specificities of the European context given the rather unique and particular situation the MS of the EU are facing and intends to describe the role of Eurostat in this process.

For the purpose of this paper it should be noted that "European" means the 15 MS of the EU accompanied to some extent by the other EEA members (Norway, Iceland, Liechtenstein) and, on a voluntary basis, Switzerland. It should be noted as well, that through the support programmes (PHARE, TACIS) statistical proximity with transition countries in Central and Eastern Europe is growing.

Harmonised European statistics are then the kernel of those which exist in all MS, they are comparable and can be aggregated. This paper deals only with this kernel, although it is clear that in many areas and in many countries more statistics are available.

2. Current situation

The purpose of this chapter is to explain in short the specificity, legitimacy and need to develop, on top of any national strategies, a common European strategy for the development of services statistics.

Within the EU, its MS live in a rather unique and increasingly close economic and political integration (**Internal Market** implementation, freedom to move capital, persons, goods and services within the EU). This **integration** is materialised in the existence of European Institutions (Eurostat is part of the European Commission), personnel and a budget given to them which allows and requires interventions in MS itself: e.g. agricultural policy, regional and social funds, common representation of the EU in external economic relations (and many others). In an area of close economic integration the principle of **reciprocity of information** as a strategic resource seems indispensable within the EU.

Many of the sectoral policies driven by the EU do concern services and thus require data to plan them and measure their effectiveness. These needs have repeatedly and thoroughly been studied, the last time very comprehensively in the **user needs report** prepared with the collaboration of MS in the framework of Council decision 92/326/EEC from June 1992. This report is constantly updated following EU policies evolution.

From what precedes a clear need for statistical integration in the ESS and thus a common strategy for services statistics must be derived.

3. Objectives

The objectives pursued are threefold:

1. **Creation of a basic statistical observation system** of all industry sectors and especially new, growing and dynamic ones: this must yield basic variables and serve national accounts purposes. Priority considerations within this goal will only reflect the timely sequence and the detail of observation and not lead to exclude totally a certain sector (institutional approach).
2. **More detailed description of industry sectors and markets:** This comprises demand and supply side, variables characteristic for the industry sector. The purpose here is clearly to deliver policy relevant data. Feasibility considerations and political needs will largely determine priorities.

3. An objective being still rather far away is to **determine nature and definition of service products** and collect data on these, e.g. breakdown of certain variables (turnover) by product. This will not be confined to the concerned service sectors but shall comprise service production of e.g. manufacturing industries or other service sectors. Only after achievement of this step a clear view of the services within an economy will be available.

Within Eurostat and most probably on national level, internationalisation is an important issue within all three objectives: **measurement of economic integration within the EU and with third countries.**

It would certainly be ideal to follow all three objectives with the same energy at the same time. Unfortunately it has though to be said that e.g. the introduction of horizontal measures following objective 1 would take away limited resources from the detailed description of a given sector.

4. **Means and resources**

For very understandable reasons Eurostat does not collect itself statistical data and has thus not the relevant infrastructure for this. Nonetheless does Eurostat dispose of a series of different means and resources, qualitative and quantitative, which are non-negligible to promote services statistics.

The first and most important resource is the **cohesion of the ESS**, the existence of Eurostat within it and the existence of a competent decision making body, the Statistical Programme Committee. In the same context can be seen the availability of **discussion fora** (multiple task forces, working groups and Committees). Much progress, above all on methodological level is due to these groups.

Eurostat as part of the European Commission has the right (and the obligation) to take the **initiative to propose legal acts** and other measures applicable in all MS to the decision making bodies (Council and Parliament).

On the more quantitative side Eurostat has available an **operational budget** destined to support concrete action within MS (often done already for pilot surveys). These financial resources are sometimes increased by funds allocated to a certain policy a part of which can be used to improve available statistics.

5. Restrictions

There are of course as well a series of limitations to the possibilities of action within the ESS. The most important one may be the **burden on enterprises** induced by survey questionnaires. In close context to that must be seen the general society acceptance of statistics: image of statistics, some inferiority complex compared to other administrations etc. Much remains to be done within the EU to **improve the image of statistics as public good**.

Another severe restriction is the **availability of budget and human resources to the NSI** and thus the **limited capacity to achieve new surveys**. Furthermore opposite to the rapid development of service statistics is a certain inertia of the statistical systems to reorient once fixed budget allocations.

Last but not least Eurostat is itself concerned with the **principle of subsidiarity and proportionality** as limitations to EU interventions (do the strictly necessary).

6. Horizontal approach

There are in principle two different approaches to develop service statistics: actions envisaging **all services sectors** (and often other enterprise statistics) versus those towards one specific sector. In general the first category is of a more long term and comprehensive nature whereas for the sectoral both long term and short/medium term measures exist (pilot studies and surveys).

6.1. Framework of enterprise surveys

The development of the statistics on services has to be done in a **common framework for all enterprises**. This involves defining the general information to be collected annually for all enterprises (including service enterprises). This common framework should enable to introduce a proper European survey of enterprises and define a set of **common concepts, standards and methods** which also take account of the specific requirements for each domain of statistics on enterprises.

Integrated surveys and questionnaire will be an important step toward rationalisation.

This common framework will require the establishment of an infrastructure based on:

- **the development of registers of statistical units**, which are updated regularly and contain key data on enterprises. These will serve as a basis for carrying out surveys, following short-term trends, cross-checking information already supplied to the authorities, monitoring panels and many other aspects of the use of registers;
- **the alignment of statistical and accounting concepts** which will allow statistical questionnaires to be computerised, thereby lightening the burden on enterprises. The economic integration within the EU provides for harmonised accounting concepts which can thus be exploited;

- **the use of new technologies** to collect and transmit data by exploiting the work carried out under EDIFACT. As far as possible different statistical requirements addressed to the same unit (the enterprise) should be technically integrated into one procedure;
- **rapid information systems** allowing such operations as calculating estimates and monitoring specific short-term trends.

6.2 Legislative measures

It is assumed that the group is rather familiar with the legislative situation in the EU. therefore this chapter is kept short.

The economic cohesion has lead to a common normative and harmonising framework on statistical level: Council Regulations on business registers, statistical units, nomenclatures for economic activities (NACE rev.1) and on products by activity (CPA); development of ESA 1995 eventually supported by a legal act (GNP often used as reference basis). These are achievements of utmost importance also for service statistics.

Currently Eurostat is working on two new legal acts directly concerning service statistics: Draft **structural business statistics regulation** intends i.a. to install a kernel of common variables for all sectors to be collected yearly. The draft is with the Council. The work on an equally important act, the draft **short term business statistics regulation** is less advanced and still being discussed in working groups.

6.3 Alternative and complementary sources

A closed statistical system on services in only one site is more an exception amongst MS. In most cases **information on services is scattered** in different sites and heterogeneous sources. For cost effectiveness reasons it is all the more important to benefit from a statistical exploitation of existing administrative sources and registers: VAT sources are partly harmonised in the EU, registration and licensing requirements exist for a series of countries and sectors, other fiscal sources could be specific to a sector, social security administration comprises the majority of businesses, self-regulatory bodies do often dispose of a lot of information.

If some of the mentioned sources are already accessible to statistics it is often prohibited (for technical and privacy reasons) the possibility for a synopsis of different sources for one enterprise. This latter procedure would though induce a large rationalisation effect.

A big challenge resides in this area concerning technical, organisational, legal and public opinion items of record keeping in the future. Eurostat has certainly a harmonising role to adopt within the MS. The NSI should reinforce their **coordinating role** among different administrations at national and regional level.

7. Sector specific approach

It is clear that all horizontal measures described above do in principle benefit also specific sectors unless they take away scarce resources. In some cases the horizontal approach leading to a very reduced set of characteristics will be sufficient for some of the objectives outlined (e.g. national accounts). In the following it is assumed that there are other objectives for the sectors being enumerated which stem from specific user needs not detailed here.

Some general principles should apply to all sectoral approaches, above all when resource consuming surveys are required:

- Distinguish between **characteristics needed at sub annual, yearly and even multi-annual frequencies**;
- When and where resources are insufficient a **schema of rotation between industry sectors and periodicities** can be adopted: year 1 distributive trade, year 2 transport, ...
- Save resources in choosing a **sample of participating countries or even regions** when the results can by analogy be extended to the others (structure describing information); this is particularly true for preparatory and pilot actions;
- Wherever possible **hook new data requirements to existing collection channels** thus creating comparatively little extra marginal cost.

In many countries the administrative structures are in a way that specific institutions take care of specific service sectors and sometimes only partially. It should increasingly be the role of the NSI to **coordinate, concentrate and validate all data available in other administrations**.

7.1 Market services: sector specific strategies

In the following some specific strategic elements are reviewed for each of the services sector:

Distributive trade

Preparation work is very mature for this sector since quite long time (Eurostat serves as focal point) and much practical results have been achieved. The importance of this traditional and large sector has been demonstrated by the presence of an **annex to the draft regulation** on structural business statistics.

The sector remains though a difficult one because of the presence of many small enterprises (and some large ones) inducing the need for resource consuming surveys. The short term needs being stringent in this sector could nonetheless be largely satisfied by using VAT sources combined with social security data.

Transport activities

Transport activities tend to become a special case: there is a common transport policy which generates much interest. Up till now though the (numerous) statistics collected in this area on European level tend to be of a more "physical" type like tons and ton-km, types of goods, distances, modes of transport. It appears indispensable that these statistics are completed by information of the "enterprise economic" type. A pilot survey supported by Eurostat (see a special session of the Voorburg 1995 agenda) is being run in MS which will serve the update of the methodological manual.

Like the preceding sector the situation is difficult and potentially costly. Short term needs are as well rather stringent in this sector and could be largely satisfied by using VAT sources combined with social security data. The existence of administrative sources must be examined as well as the possibility to add some extra questions to existing collection systems. International trade being an important issue in this sector, is a potential approach via foreign trade statistics thinkable ?

HORECA

Extra difficulties on top of the previous ones add to the HORECA sector: a bit less developed political interest, just proposed legal act on tourism statistics focusing on tourism supply (accommodation, arrivals, nights spent etc) and tourism demand. The results of a pilot survey supported by Eurostat (see a special session of the Voorburg 1995 agenda) are being evaluated, which will potentially generate the need for some extra work to be done. Short term developments are overlaying with seasonal factors

Insurance services

Rather complete regulatory and supervisory frameworks with large harmonisation pressure on European level exist for insurance services. This has led to normalised annual accounting schemes, frequent and comprehensive reports are forwarded to regulatory bodies including e.g. the international trade in insurance services. Little presence of SME's is expected, except perhaps the auxiliary services, and all enterprises are well known because of authorisation procedures.

Based on this lucky situation Eurostat has over the past three years conducted a series of methodological projects (e.g. classification of insurance products) which have been reported to the Voorburg Group and, with very satisfactory results, been coordinated in a larger forum (OECD, special work with Statistics Canada).

Eurostat is about to propose a legal support for a regular data collection system the implementation of which will, if any, generate only marginal extra cost in MS and little, if any, extra burden on the concerned enterprises.

Other financial services

Priority has been given to insurance services over other financial services for practical reasons. Many of the attributes are though valid likewise (normalised annual accounting schemes, habit to report frequently and comprehensively to their regulatory bodies or Central Banks). Some methodological problems remain though to be solved (classification of products, contribution of the Voorburg Group expected), so that progress is expected to be less rapid. No basic and resource difficulties are visible.

For both financial areas the auxiliary services form a separate case where difficulties comparable to other areas can be expected. Eurostat hopes to achieve some progress by means of a pilot action in at least some countries. Emphasis is put in a preceding study of registration and self-regulation requirements which could lighten the burden of a later survey. This is a clear example where the NSI is on national level the coordinating instance, with Central Banks and regulatory authorities providing input.

Information/Communication services (without computer services)

Telecommunication services are of strategic importance concerning overall development (sensitive as well in the GATS framework). They are in a process of progressive liberalisation towards 1998 as decided already by the Council. Some pressure for harmonisation, unfortunately not as compulsory as in financial services, is built in the legal framework which provides some data collection already for other than statistical purposes. 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).

Big methodological difficulties are yet to be solved (classification of products, technological change) where the contribution of the Voorburg Group is expected and close cooperation with ITU and OECD is to be continued.

Arguments developed above may partly apply to some postal services (private courier services).

As far as information services are concerned the prominent interest of the Commission has led to an observatory (Information Market Observatory) delivering a lot of studies and data on this sector.

Business services (including computer services)

The heterogeneous area of business services enjoys increasing political attention as far as their impact on global economic and structural change is concerned (e.g. information society, changes in manufacturing industries). As opposed to other sectors this area needs more development in a series of MS.

Eurostat approach is following the principles and possibilities outlined above. After the comprehensive pilot survey run in 1991 a new wave of pilot actions envisaging to obtain more structural (and to some extent qualitative) information:

- Availability of financial support for participating MS;
- Restriction of the participation to a rather small and changing subset of MS thus balancing the burden;
- Envisaging even the possibility to restrict within a country to a certain urban region if deemed sufficient thus evaluating regional aspects;
- Getting specialised professional associations to accompany the pilot action (motivation and know-how exchange) even prior to running the surveys.

The actual implementation of the surveys will not be able before 1996, Eurostat and participants will certainly report back the progress achieved.

Audiovisual services

Audiovisual services have apart from high international importance big social, cultural and economic implications in our societies and form a very dynamic sector (technology, multi-media, convergence with e.g. advanced telecommunication services). There is large demand for statistics in the market and a series of suppliers but very few official statistics exist in most MS.

Eurostat has done a lot of work in this sector: methodological manual and AUVIS manual, a proposal for product classification exists and a pilot survey is about to be evaluated (see special session of the Voorburg 1995 agenda). The first and prominent role for Eurostat remains the methodological harmonisation of definitions. Some administrative sources could be found on European level ("television without frontiers") and within MS, research work to be done yet.

In terms of number of enterprises this is a relatively small sector. In order to create a durable statistical system the political consensus in MS is indispensable.

7.2 Services to persons and collectivities

In Decision 92/326/EEC of 18 June 1992, the Council called on the Commission to carry out an exploratory study into services for individuals and collectivities, some of which are non-market. The intention was to establish what information may be necessary in Member States for measuring the size of the following sectors:

- social security
- education
- health and social work
- activities of membership organisation
- recreation, cultural and sporting activities
- other services to individuals and the community.

The widening of Services Statistics to these fields, which represent a third of the total employment in services, was requested by the European Parliament because of their economic and social importance.

The study of these sectors needs to enlarge the investigation from pure enterprise statistics to comprise private non-profit institutions (which produces both market and non-market services) and public administrations.

The production of the "households" sector could be of interest in certain fields.

In this context for a data collection based on existing sources it is necessary to establish a link between data on activities (NACE classification) and functions of government (COFOG classification).

Because of the methodological difficulties on establishing clear concepts necessary to merge market and non market services and cross referencing of different institutional sectors, assorted with a lack of resources, statistics on services to persons and collectivities have been given at European level a "second priority" status.

In the draft structural business statistics regulation, it is envisaged to ask Member States to report on definition, structure and availability of information. With reference to these reports, a series of pilot studies shall be adopted. Clearly a long term approach before any "new" data collection is expected.

Because of policy information requirements, a small subset of activities could be singled out for a priority approach: some cultural services, "sewage and refuse disposal, sanitation and similar activities" (privatisation, in concerning the environment). This topic needs further study.

8. Conclusion

It is believed that there is an unbalanced allocation of resources to services statistics within the ESS compared to other sectors of the economy. This can be deplored, but is a fact difficult to change at short term.

In the meantime the following measures and attitudes should be developed:

- Utmost rationalisation and economy in all action by continuing user needs analysis and by initialising in the various R&D programmes and within the IDA programme (administrations data interchange) of the European Commission. This will contribute to rationalise and therefore reduce the burden of information collected from enterprises.
- Coordinate national measures in a way to improve the harmonised European kernel of available statistics by implementing the draft structural business statistics regulation as soon as approved by the Council.
- Use existing data collection cycles and other sources to hook statistical information on them.
- Develop the NSI to be coordinating and focal points within their countries.

Advice is sought from participants from other countries having made already experiences concerning the development of services statistics.