VOORBURG GROUP ON SERVICE STATISTICS

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EU: MOVING SERVICES STATISTICS UP THE AGENDA

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SESSION 2

Abstract

This document reflects on the gap between need and availability of data on services at an EU level and describes briefly some of the reasons for it. The main part of the text concentrates on the efforts that Eurostat, as a part of the European Statistical System, is devoting to reducing this gap by means of a comprehensive, modern and evolving regulatory framework, a recent reorganisation of all business activities, the TQM approach, and a set of specific actions to enhance communication between users and producers of information.

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Introduction

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I. The importance of the Statistics of Services

Nobody doubts the importance of Services Statistics. In fact, the mismatch between this importance and the availability of the data has been a matter of concern among statisticians for many years and, among many other initiatives, it has been the cause of the creation of the Voorburg Group in 1986.

We will just illustrate with two examples the increasing need of information on services; one of them to show that this need is objective; the other one to stress that it is also subjective.

- The weight of services activities in the whole economy of the European Union amounts and for about two thirds of both the GDP and the employment. In fact, we can find regions in the European Union where the proportion of employment in services reaches three quarters of the total. Moreover this weight is constantly growing.

- The interest of society in knowing about this sector. The space that the press devotes to statistical information on it can be considered an indicator of this interest. In the hit parade of press cuttings of the first half of 1998 that Eurostat has recently prepared, two news releases on services have made the top ten list. On of them, dealing with the internationalisation of services reached second place just behind the information about basic data on the EUR-11 zone which was issued right after the creation of the Monetary Union.

II. The difficulty of obtaining information on services.

Why then this contradiction between a sector with a high and growing weight in our economy and of great social interest, but for which a sufficient set of statistics is not available. Some reasons will be pointed out in this paragraph.

- ***Rapid structural changes***: This is due to several effects. On the first hand, the demography of services enterprises shows, as the report « Enterprises in Europe » outlines, a rate of creation and closure much higher than that of other sectors. On the other hand, structural changes in the sector are important due to several phenomena. Among them, we can point out the emergence of new activities such as electronic commerce, the outsourcing of sub-activities formerly embedded in the industrial sector, and the increasing weight of services to enterprises.

- ***Diversity***: The services sector is made out of many diverse activities, which have an extremely different economic behaviour: their dynamism is different, the structures of their work force and of their enterprises are also different. As are also different the level of internationalisation and the weight of intangible investment.

- ***Importance of very small enterprises***: This is a notable feature of several services sectors such as retail trade and personal services. As a whole, the share of very small enterprises (0-9 employees) in services sector is about 95%. The statistical investigation of sectors with an important weight of SME's poses many difficulties; in fact, it has been until recently a common practice to use a size threshold to avoid surveying these units.

- ***Mixture of market and non-market activities***: Non market services account for about 15 % of total GDP and 21 % of employment. They are mainly present in the sector of Personal and Community Services falling under NACE sections M, N, O (Education, Health and Social Work, and Other Community Social and Personal Services). The different behaviour of market and non-market units in many respects (i.e. register and accounting practices) complicates the investigation of these sections, which will actually be the object of a specific session in this meeting.

- ***Historical importance devoted to industrial activities***: The emergence of the services is relatively recent and has been extremely rapid. In the past most National Statistical Organisations had long traditions of elaborating information for the industrial sectors. The modernisation of the NSI's system of information has not followed the speedness of the evolution of the economy. In the present scenario of constant or decreasing budgets, changing this tendency meets even more difficulties.

- ***Difficulty to measure***: The difficulty of setting up indicators suitable for measuring service outputs was already present in the mind of those who launched the Voorburg Group in 1986. As services diversify and become more complex, this difficulty remains an important drawback.

- ***Growing internationalisation***: as shown by the recent Eurostat study on Foreign Affiliates on Trade and Services, some activities, mainly in the area of business services have a share of nearly 20 % of employment by non-nationally owned or controlled companies. The distortions that the phenomenon of globalisation could pose for the relevance of the data are another challenge to services statisticians.

III. Coping with this contradiction. The European Strategy.

Since the beginning of the 90's, Eurostat has been devoting considerable time and effort to set up a harmonised system of information on services throughout the European Union. This effort is at present along the following lines:

- ***Business Statistics Regulations***. Most relevant here are the two recent Regulations on structural and short-term business statistics (SBS and STS respectively). The first one presents common basic information for all NACE activities from C to K and M to O, and more detailed data requirements for specific service activities such as retail trade and insurance. As an important difference from previous related EU regulations, the SBS takes into account enterprises of all sizes. The detailed data requirements of the SBS will be extended to further activities such as Financial Services, where in fact data from Member States are already received on a voluntary basis. In the case of the Regulation on short-term statistics, specific annexes for retail trade and other services have been published, though the data requirements for these sectors are much lower (just series on turnover and persons employed). These regulations aim to harmonise several aspects of the availability of data throughout the European Union. Some of these aspects relate to coverage, breakdown of results, common definition of variables, quality standards and timeliness. They also specify a transition period during which the Member States could request specific derogations if they are unable to fulfil the requirements. It is of interest to point out that the most important derogations requested by the Member States for the SBS concern the services sectors.

  As basic blocks for supporting the system of business statistics, the European Union has also approved in the 90's several infrastructure regulations. Two of them relate to statistical classifications (NACE and CPA), another one to the definition of statistical units and a last one to the setting of business registers for statistical purposes.

At this stage, most of the regulatory framework for a harmonised system of business statistics is in place. Eurostat's effort will thus concentrate on the successful implementation of this framework and on the development and maintenance of the information and dissemination systems needed to efficiently transmit these statistics to the community of users.

- ***Pilot studies***: In the frame of the above regulations some pilot studies investigate if further extension of the data requirements are feasible. These studies thus aim either to include new variables or breakdowns for all sectors or to deepen the analysis of specific activities. We will outline here those on business services (computer, engineering, labour recruitment and industrial cleaning) and financial auxiliaries; the study on subcontracting; and that on Foreign Affiliates on Trade and Services (FATS) which now has reached its second phase.

- ***The Role of Member States***: Efforts will be made to increase the role of Member States in defining the strategy of implementation of the system of business statistics and in the fixation of priorities for extending the regulatory framework. In a few weeks, a first meeting of Directors of Business Statistics of EU Countries wil discuss these aspects as well as specific issues such as globalisation and the impact of the Euro.

- ***Organisation***: the business statistics activities in Eurostat have been recently reorganised. This reorganisation extends along different lines. First, the three units of the Directorate of Business Statistics have been reshaped so that the first one deals with all the infrastructure -related to the regulations on classifications, units and registers- and the co-ordination; the second one with the structural statistics, the core of its work being the implementation of the corresponding regulation, possible further extensions to it and special studies on SME, demography of enterprises, competitiveness; the third one is concerned with the short term indicators, the production statistics (PRODCOM) and specific sectors such as tourism, information society and steel. This new organisation gives to unit D2 the responsibility for both industry and services concerning structural data and to unit D3 an equivalent responsibility for short-term indicators.

  Secondly, in the framework of the Total Quality Management Program of Eurostat (Qualistat), a deep analysis of processes and projects has been carried out and planning and monitoring has been reinforced. A set of performance indicators and improvement objectives will subsequently be established. Finally, the identification of clients and the ways of improving the service to them has become central in all project development.

Thirdly, an integration of the information and dissemination systems of business statistics is being performed in order to simplify user access to the data and to reduce the cost of maintenance.
From all these efforts, an important benefit to services statistics will be derived. The main reasons being that the resources devoted to this sector will be more balanced with respect to those devoted to industry and that the synergies due to the integration of systems will be most favourable for the domain which is weaker at present.

- ***Work in crosscutting specific sectors***: this concerns the work related to tourism statistics, which is based on a directive of 1995, to the sectors of telecommunication, audiovisual services and finally to the information society. On this later domain a document from Eurostat will be presented in a later section of this meeting.

- ***Special Actions to improve contact between users and producers of data.*** To increase the knowledge of the specific characteristics of the sector of distributive trade and to stimulate a debate between users and producers of data, the European Commission has organised in March of this year a seminar that will be continued on a yearly basis. With similar objectives, a general seminar on services statistics will be organised by Eurostat in 1999. Though of a more horizontal nature, it is also worth mentioning here the seminar on the use of administrative sources for business statistics that will take place in Rome later this year.

Conclusion

It is fair to mention at this point the effort that the EU Member States are devoting to improve their information systems on services. This effort has permitted the creation of a regulatory framework that will allow the development of a coherent set of harmonised information on services. Furthermore, work in the European States is now concentrating on the implementation of this framework, which requires the development of new statistical operations, the use in some cases of administrative sources, and the reallocation of resources. The successful progress of the European system of data on services will only be possible if this implementation is achieved steadily and widely across the European Union.