



MEASURING THE CONSULTING SERVICES INDUSTRY IN CANADA

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October 2006





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1. Definition of Service being Collected

- Annual **establishment** based survey
- The **North American Industry Classification System (NAICS-2002)**
- Three distinct five-digit NAICS industries, namely:
 - Management consulting services (54161)
 - Environmental consulting services (54162)
 - Other scientific and technical consulting services (54169)





1. Definition of Service being Collected

- **54161 - Management Consulting Services** is further divided into three categories:
 - 541611 - Administrative Management and General Management Consulting Services
 - 541612 - Human Resource and Executive Search Consulting Services.
 - 541619 - Other Management Consulting Services





2. Units of measure collected

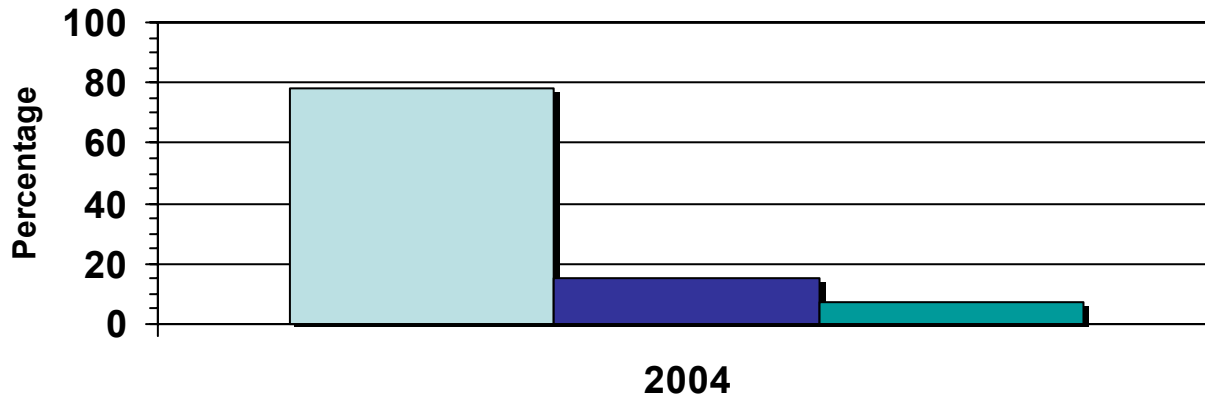
- Number or counts
- Percentages
- Amounts in Canadian dollars
- Margins are derived internally from other reported data (for example operating margins)





3. Market conditions

Consulting Services Industry Composition (% of revenue)



- Management consulting services
- Scientific and technical consulting services
- Environmental consulting services





3. Market conditions

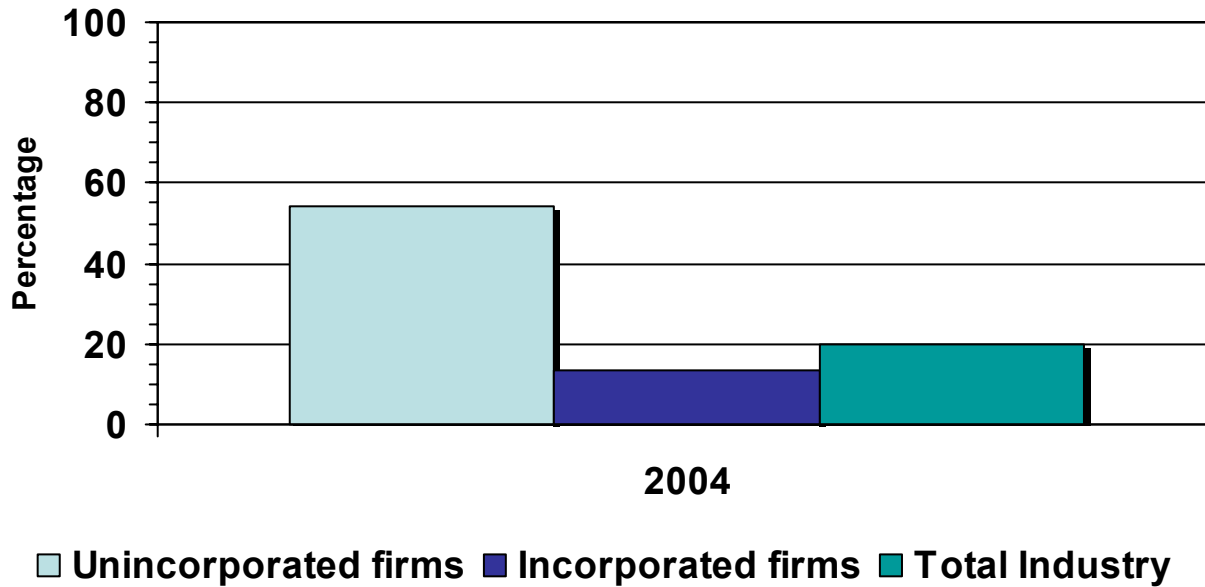
- At 20%, the operating profit margin in 2004 is large when compared to other industries
- Significantly more **unincorporated firms** in the consulting services industry than in other industries (30% of population)
- In the case of **unincorporated firms**, the labour input of the owner or proprietor does not usually show up as a salary or wage expense. Instead, owners take their earnings from firm profits





3. Market conditions

Consulting Services Industry Profit Margin %





4. Classifications and product details

- North American Industrial Classification System (NAICS)
- North American Products Classification System (NAPCS)
- Charter of Account (COA)





4. Classifications and product details

Management, Scientific and Technical Consulting services

Survey portion only - Reference year 2004

NAICS CODE	Revenue categories	Establishments with the product line	Revenue of establishments with the produc line
		Number	Millions of dollars
5416	Strategic management and planning, organizational structure and review services	8,981	1,733
	Financial management consulting services	4,065	687
	Human resources management consulting services	1,811	1,112
	Executive search services	888	254
	Operations management consulting services	1,726	167
	Marketing management consulting services	3,140	287
	Other management consulting services	2,479	578
	Market research and public opinion polling services	180	12
	Economic and social research	491	23
	Public relations services	558	20
	Information technology consulting services	518	79
	Education and training	2,033	88
	Environmental consulting services	1,556	576
	Geomatics / Geophysical consulting services	112	5
	Other scientific and technical consulting services	3,988	898
	Sales of other goods and services produced	1,126	147
Total operating revenue	20,583	6,667	
Investment and other income	6,527	136	
Total revenue	20,603	106,802	



5. National Accounts

- Survey is a feeder to SNA
- New initiative in Canada: SNA modernization
- Reduction of good producing industries with expansion of services in input-output tables
- Will impact commodity (NAPCS) detail requirements
- Do not anticipate problem for services output
- Lots of questions with respect to services input
- Pilot testing of “reportability” of inputs over months to come





6. Method for measuring output

- Annual industry/establishment based survey – part of Unified Enterprise Survey (UES)
- Sample survey combined with use of administrative data (annual income tax)
- Stratified sampling (take-all, must take, take-some and take none)
- Mail-out / mail back
- Modular approach (Ducharme-Da Pont Paper)
- Extensive quality assurance
- Data confrontation and analysis





7. Comparability of output data with price index practices

- Statistics Canada does not currently produce an explicit price index for the consultancy services industry
- SNA make up their own deflators
- However, there is a project to develop such an index in the next twelve months as a part of a broader initiative at Statistics Canada on expanding statistical information on the Services sector





8. Issues

- Confronted to a number of significant frame related problems in this industry:
 - Important industry classification problem
 - Out of scope rate 35%
 - Death rate near 30%
 - “Catch all” industry on the business register





8. Issues

Series of measures to alleviate problem:

- Maintain good knowledge and understanding of industry population
- Allocate additional resources to verify the quality of classification coding and apply corrections
- Possibly expand the sample size and use the survey as an instrument to progressively clean up the frame
- Review rules and procedures for industry coding for births on the business register (automatic coding)





8. Issues

Series of measures to alleviate problem:

- Better training of the staff involved in industry coding
- Investigate using alternate sources of information (industry associations lists) to supplement the frame
- Investigate using financial ratios (cost of good sold, sales of services) derived from tax data to automatically recode or refine the automatic coding





9. Conclusion

- Industry characterised by no real barrier to entry, large population
- Survey follows new unified and integrated business survey model and modular approach to content
- Price deflator to be developed in near future
- Frame quality issues being addressed





Thank you! - Merci!

