STATISTICAL COMMISSION and ECONOMIC COMMISSION FOR EUROPE

STATISTICAL OFFICE OF THE EUROPEAN COMMUNITIES (Eurostat)

CONFERENCE OF EUROPEAN STATISTICIANS

Joint UNECE/Eurostat Seminar on Business Registers
(Luxembourg, 21-22 June 2005)

REPORT

INTRODUCTION

1.   The joint UNECE/Eurostat Seminar on Business Registers was held in Luxembourg from 21 to 22 June 2005. It was attended by Albania, Austria, Belgium, Bulgaria, Canada, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Hungary, Ireland, Italy, Kazakhstan, Latvia, Lithuania, Luxembourg, Mexico, Netherlands, Norway, Poland, Portugal, Romania, Russian Federation, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Tajikistan, the former Yugoslav Republic of Macedonia, Turkey, United Kingdom and United States of America. The European Community (Eurostat) attended.

2.   The provisional agenda was adopted.

3.   Mr. John Perry (United Kingdom) was elected Chairman.

ORGANIZATION OF THE SEMINAR

4.   The following substantive topics were discussed at the Seminar on the basis of invited papers and supporting papers:

        (a)   Information items:

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- Information by Eurostat. Presentation of the Eurostat 2005 Survey on business registers and comparison business registers-SBS-business demography;

- Information by UNECE. Presentation of the UNECE 2004 Survey on business registers;

- Information by the United Kingdom on the 19th Roundtable Meeting on Business Frames.

(b)   Development of a quality framework (maintenance of registers, births/cessations of units, change of activity, completeness of coverage, small area statistics, thresholds for registration, identification/treatment of dormant business).

(c)   Experiences in the implementation of ISIC rev.4 (NACE rev.2).

(d)   Multinational enterprise groups – implications for national statistical offices and international organizations (MNE project, matching issues in an international context, how to combine private and public sources to get consolidated data, exchange of data between national administrations to validate the data).

(e)   Use of business registers to support demand for statistics on small and medium sized enterprises.

SUMMARY OF THE MAIN CONCLUSIONS REACHED AT THE SEMINAR

5.   Recommendations for future work are given below. Other conclusions that the participants reached at the Seminar on the above topics will be presented (in English only) in a separate report (annexed to the present report) to be prepared after the Seminar and distributed to participants. These conclusions will also be distributed, on request, to other interested persons.

RECOMMENDED FUTURE WORK

6.   Based on the proposal of a Steering Group on Business Registers, the Seminar recommended that a further Joint UNECE/Eurostat Seminar to be organised in 2007 in Geneva or alternatively in Luxembourg. The following substantive topics were considered of greatest interest for possible inclusion in the agenda of the next Seminar on business registers:

(a)   Experience in developing enterprise group data, including work on MNEs, on meeting needs for FATS and on profiling;

   (b) Development of statistical outputs from business registers;

   (c) Quality improvements in business registers, their implications for surveys and the measurement of user satisfaction;

   (d) The role of the business register in coordinating accounting and other administrative data for statistical users.

The issue of the implementation of the ISIC/NACE revision will be addressed either under the information item or under a separate agenda item, depending on progress made in UNECE countries.

7. The Seminar recommended that each topic be discussed in a separate session, organised by a session organizer, selected in advance.

8. The Seminar recommended that the UNECE should conduct its questionnaire survey annually, instead of in alternate years, should coordinate its timing fully with the Eurostat survey and should seek active feedback from countries on the consolidated results of the surveys. The report of the surveys should include time series data for each country in order to better appreciate the stability of the results.

9. The questionnaire surveys covering UNECE countries and the analysis thereof should be made publicly available, for instance, by being posted on the UNECE web site.

ANNEX
SUMMARY OF THE DISCUSSION

Item 4: Development of a quality framework (maintenance of registers, births/cessations of units, change of activity, completeness of coverage, small area statistics, thresholds for registration, identification/treatment of dormant business)

Discussant and session organizer: Mr. Harrie Van Der Ven, Statistics Netherlands

1.   An invited paper, prepared by Ms Aleksandra Lesnjek, describes the Slovenian approach of register-based statistics. The paper shows how with a well thought out and a logical applied policy, statistics can be produced on the basis of registers. The Statistical Office of the Republic of Slovenia cooperates with other governmental organizations on the development and application of harmonized concept. This makes it possible to use administrative registers for statistical purposes in an efficient way to produce high quality outputs. The paper describes how, on the basis of a common definition of the scope of active population of enterprises, statistics can be produced on the structure of businesses and on business demography. The paper emphasizes the importance of the development of harmonized rules for units belonging to the sectors M, N and O of the NACE.

2.   Zsolt Völfinger presented working paper 3 (Coverage of the Hungarian business registers). The Hungarian business register is, like many other statistical business registers, based on administrative sources. A main quality problem is the high number of non-active enterprises. This paper argues that thresholds should be applied in a statistical business register. It would increase the efficiency of samples and the international comparisons of register populations.

3.   Working paper 7 (The development of small area business statistics in the UK) by Steve Vale, United Kingdom, presented by Bruce Oelman, describes how an increase in the interest in regional data affects the requirements of a business register. New methods and sources are needed. The paper is of particular interest, in that it addresses a lot of aspects of developing and managing a business register.

4.   Other than the invited papers, two supporting papers were available.

5.   A paper submitted by the National Statistical Committee of the Kyrgyz Republic describes their management approach to improve the quality of the business register. A paper of the Federal State Statistics Service of the Russian Federation shows how by the use of various data sources the quality of a statistical register can be improved.

6.   The papers stress, in relation to the problem of quality, the importance of:

- a well thought out vision on content and coherence of statistical and administrative business registers;
- harmonized concepts (for statistical as well as administrative registers);
- good cooperation with other governmental organizations;
- the use of various administrative sources;
- a managerial concept.

Item 5: Experiences in the implementation of ISIC rev.4 (NACE rev.2)

Discussant and session organizer: Mr. Sven Egmose, Statistics Denmark

7.   The session organizer gave a brief introduction on the process and the state of the art of revising the activity codes, which is very important for the statistics on businesses and economic activity. After this the papers for the session were presented.

8.   In introducing working paper 5 (Implementation of NACE rev. 2 in the French business register), Mr. Michel Euriat explained the French experiences and plans for the implementation of the revision. He emphasized the particular French context where both the administrative and the statistical business register are run by the statistical office, INSEE. The revision of NACE will be implemented in the French business registers in several ways. The annual enterprise survey will be used as a tool for this purpose, but also a new version of the automated coding system for coding the written declarations, SYCORE, which will be available from the beginning of 2007, will be an important tool for implementing the revised NACE codes.

9.   In working paper 4 (Implementation of NACE rev. 2 in the Czech Statistical Office – the first idea), Mr Stanislav Palas, Czech Republic, described the planned implementation process in his country. The Czech Republic will develop a national version of both NACE and CPA where some of the NACE and CPA codes are split up. This necessitates specific Czech versions of the explanatory notes and the work on this will start as soon as the explanatory notes of NACE and CPA are determined.

10.   Plans are to double-code all units in the Czech business register for at least three years. The recoding of the existing units will primarily be done by using correspondence tables between NACE rev. 1.1 and NACE rev. 2. It is estimated that 84 percent of the units can be recoded in this way. For the rest of the units the recoding will be done by using statistical surveys, by means of cooperation with administrative sources and by estimation methods. The revised NACE codes will significant influence a lot of statistics. Mr. Stanislav Palas set out the plans for implementation of the revised NACE in the different statistics and stressed the need for back-cast time series in most statistics to remedy the breaks in time series caused by the revised classification.

11.   In working paper 6 (EU state of art on planned NACE rev.2 implementation (BR-relevant part)), Ms. Leila Anupold, Eurostat, presented the results of a Eurostat

investigation on the implementation of NACE rev. 2 in the EU countries. Twenty-six countries, both EU members and other countries, had answered to the questionnaire sent out by Eurostat. The large majority of the countries intend to create their own activity codes with national breakdowns of some of the NACE codes. Ten countries expect to create more than 200 national subclasses. Regarding the CPA, most of the countries will not create national subclasses. All countries agree to implement NACE rev. 2 in the business register on 1 January 2008 and all (except one) will provide double coding of the units in the business register. The periods for the planned double coding vary greatly between countries. The countries will use a range of sources for the classification of the units including both administrative sources and statistical surveys. Most of the old EU-members have an automatic coding system. Most of the new EU-members do not have an automatic coding system at their disposal but they would like to have one.

12.   After the presentations many of the participants took part in the discussion. Interesting points of view were presented on different items such as

- will an administrative use of the activity codes influence the revision process?
- is it a good idea to set up an Internet tool for coding to be used directly by the enterprises?
- is it preferable to double code the units in the business register for the year 2007 or for the year 2008?

Item 6: Multinational enterprise groups – implications for national statistical offices and international organizations (MNE project, matching issues in an international context, how to combine private and public sources to get consolidated data, exchange of data between national administrations to validate the data)

Discussant and session organizer: Mr. Paul Johanis, Statistics Canada

13.   Three invited papers were given in this session and one contributed paper was provided. The first paper was working paper 9 (Multinational enterprise (MNE) project: Final report – Phase 1, May 2005) by Mr. Paul Johanis, Canada. The main objective of the project was to identify areas where the measurement of the activities of multinational enterprises could be improved. In this respect, the feasibility of having MNEs report in an integrated fashion to several national statistical offices (NSOs), taking into account the confidentiality legislation governing the respective NSOs, was to be evaluated.

14.   The main results of the project were that, overall, data collected in a coordinated fashion from the MNEs, as done for this study, provided data that were different from the data collected by survey or administrative instruments in the regular programmes of the NSOs. The employment variable was the most accurately measured, followed closely by the sales variable. Capitalized expenditures were less well measured than either, while the operating earnings variable was the most poorly reported and the least accurately measured.

15.   Recruiting MNEs and obtaining the required information were difficult. However, most agreed to the waiver permitting the home country NSO to share the relevant national information with the NSO of their foreign affiliates, proving that a coordinated data collection approach is operationally feasible. The centrally coordinated approach to collection may, however, result in less data being collected from the MNEs overall than independent approaches to each national component as this approach highlights the sensitivity of the data being collected. Work in this area will be continued under the auspices of the Eurostat project on the creation of a European register of enterprise groups.

16.   In the second paper, working paper 11 (Delineation of MNE: some implications in national statistical office) by Mr. Giuseppe Garofalo, Italy, slightly different conclusions were drawn. In this paper, from the final results of the MNE project, the following four considerations were highlighted:

-       As regards the structural variables (MNE boundary and employment) the results were sufficiently coherent and there were no substantial differences if they are investigated from the single enterprises or from the Group Head.

-       As regards variables that are interesting in their total amount, and not at consolidated level, (Gross Sales) the results confirmed that their investigation does not present many problems: discrepancies are due not to logical aspects but only to data quality issues.

-       As regards variables concerning intra group flows (e.g. intra group sales) they can be efficiently and correctly collected only at the Group Head level, since it is the only one having a global view.

-       As regards specific economic indicators and economic variables that are not clearly defined at statistical level (EBIT, Capitalised Expenditure), the exercise showed the largest discrepancies, confirming that it is fundamental to work on a better harmonisation not only of the definitions, but also of the different level and criterion of consolidation practices among countries.

17.   These results were presented in the context of a comparison between a bottom-up perspective (inward view) and a top-down approach (outward view) to defining enterprise groups. The bottom-up approach is simpler, as far as national available sources are concerned, but it gives rise to truncated groups. Inward FATS statistics are the main development from this kind of information structure. The bottom-up approach is more useful at a first development stage of a system on globalisation statistics.

18.   Advanced economies, whose enterprises produce and sell for the global market, need globalisation statistics also from the side of investors. The top-down approach to register MNEs can better answer this need, since it provides the information on foreign affiliates located abroad and controlled by domestic group heads. The possibility of producing Outward

FATS statistics depends very much on the availability of this informative structure in the business register.

19.   However, to guarantee better data quality, a further step could be made towards the production of statistical data at the level of the enterprise group as a statistical unit, as important economic variables are more easily measurable in the consolidated accounting structure of the MNE than at the single constituent enterprise level.

20.   This theme was further developed in the third paper, working paper 12 (Enterprise groups and data exchange) by Mr. Rainer Feuerstack, Germany. In this paper, the author makes a strong case for considering enterprise groups, and not legally distinct companies, as the basic statistical units of the economy. In a market economy, the economic actors are of genuine importance for market structure, market behaviour and market performance as interdependent elements of a competitive system. Therefore it appears crucial to focus not on distinct legal units but on the actually relevant economic decision units, which are enterprise groups, which are collections of economic units that, regardless of their respective organisation and legal form, are controlled by an overriding unit.

21.   In addition to general conceptual, methodological and legal considerations, the paper presents specific proposals and data-technological instructions on how a "European Transnational Capital Links Register" can be implemented. Specific highlights include:

-       Legal principles: A binding European mandate given to the national Statistical Offices of the European Member States to record enterprise groups statistically is in accordance with priority European legal principles, particularly the principles of subsidiarity, the separation of statistics and administrative execution, and the integrity of individual pieces of statistical information, their use only for the specified purpose and their confidentiality.

-       Eurostat's mandate: It is proposed that Eurostat be charged with setting up a centrally-run "European Transnational Capital Links Register" and a file for the participatory network structures derived from them and enterprise groups to which enterprises that have their registered office in a European Union Member State belong.

-       Setting up of the register: The setting up and running of the "European Transnational Capital Links Register" is an interactive process between Eurostat, the national Statistical Offices and private data providers. The process covers eleven steps which are described in detail. Data sources for the first step are private data sources on enterprises' global multinational participatory network structures. Only these sources offer the possibility of identifying interlocking capital links beyond the European Member States. In addition, the data stock of the national Statistical Offices on enterprises' networks of interlocking capital has to date comprised just a fraction of the information that is actually known in many cases, which could contribute to national files being considerably extended.

-         Access by Member States: Eurostat would give the national Statistical Offices of the Member States direct access on equal terms to the "European Transnational Capital Links Register" on shareholdings and the files of networks of interlocking capital. Access facilitates verification of the information in the European register and in the files of the national Statistical Offices. The quality of national Statistical Offices' information on enterprise groups can thereby be further improved and the consistency of transnational information checked. The division of tasks envisaged in close cooperation between Eurostat and the national Statistical Offices not only serves to ensure the efficiency of the procedure and the reliability of the results, but also serves the principle of subsidiarity.

22.   Finally, the contributed paper from Albania provided a description of the first time setting up of a business register in this country, starting from the simple premise that the legal unit equals the enterprise which equals the local unit, using administrative sources. It is interesting to note that this identity holds for the vast majority of units in a business register. However, two levels of complexity quickly intervene. Enterprises can have many local units, and relevant economic actors may in fact be groups of enterprises.

Item 7: Use of business registers to support demand for statistics on small and medium sized enterprises

            Discussant: Mr. John Perry, United Kingdom
            Session organizer: Mr. Norbert Rainer, Statistics Austria

23.   The invited papers covered:

-         Measuring job creation and destruction in small and medium-sized enterprises in the United States; and
-         The issue of identifying sources on entrepreneurship, from the UK perspective.

24.   The first presentation was of working paper 10 (Job creation and destruction in small and medium-sized enterprises in the United States) by Mr. David Talan, United States Bureau of Labor Statistics. There has been a long-standing interest in the USA in business demographics. Early work, based on Dun and Bradstreet data, had suggested that small businesses drive economic change. The availability of quarterly employment data from administrative sources has allowed the US Bureau of Labor Statistics more comprehensive analysis of the subject. There is a difference in performance of new and existing businesses and the size of existing businesses is also important. The work may be directly applicable in other countries with access to comprehensive quarterly employment data.

25.   Working paper 8 (Identifying sources on entrepreneurship) by Steve Vale, United Kingdom, was presented by Mr. Bruce Oelman. In the UK, the importance of small businesses in helping improve social conditions has been recognised within a government programme of community regeneration. Most businesses are small and are run by individual

owners. It is important to understand the factors associated with their start-up and survival. Surveys of business do not generally include small businesses and statistics rely on business register, administrative sources and academic research. Not all small businesses are owner-managed and it is important to distinguish such businesses. In discussion, it was mentioned that there has been some research in Germany. Eurostat is also starting to develop business demography and surveys of entrepreneurship.

26.   Finally, the supporting paper from Kazakhstan covered the use of the business register for small business monitoring. This provided a view from one of the developing statistical systems. Historically there had been little entrepreneurship and small businesses were not all registered. Few such businesses were surveyed and to do so would take time and funding. The Kazakhstan statistical office had developed methods using the business register and administrative data to monitor small business activity. This was not without difficulty, especially because around 50% of registrations of businesses do not result in an active business start-up.

27.   The session showed the increasing importance of statistical information on small, in particular entrepreneurial, businesses and the role of the business register and administrative data in meeting the needs of users.

<u>Web addresses</u>

Circa home page:
http://forum.europa.eu.int/Public/irc/dsis/Home/main

Roundtable on Circa (all RT meeting documents, including 2005 when available):
http://forum.europa.eu.int/irc/dsis/businesssurvey/info/data/links.htm

BRnet (for access: pasi.tammilehto@cec.eu.int):
http://forum.europa.eu.int/Members/irc/dsis/brnet/info/data/brnetsite4/brnet_start.htm

- with links to Roundtable site and to UNECE

UNECE/Eurostat Joint seminar:
http://www.unece.org/stats/documents/2005.06.busreg.htm

Circa site on NACE/CPA (with meeting documents):
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