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SERVICE STATISTICS IN UKRAINE¹

Paper submitted by supporting paper submitted by the State Statistics Committee of Ukraine

INTRODUCTION

1. Over the past years, Ukraine has carried out work aimed at improving service statistics. The document describing the framework in which this work is carried out is the Concept of service statistics developed by the State Statistics Committee of Ukraine (SSCU). The main objective for elaborating the document was the need to bring this type of statistics in line with international standards, in particular to make it consistent with Regulations of Council of European Union on issues dealing with short-term statistics of enterprises and recommendations on the conduct of annual observations in the area of service statistics, and the System of National Accounts.

THE NEED TO DEVELOP CONCEPTUAL APPROACHES

2. To organize this work, it was essential to address the following problems:

- identify the units of statistical observation;
- ensure the consistency of classifications of production statistics and consumption of services to make a comprehensive estimate for market of services;
- adequately classify the enterprises operating in the sphere of services according to the relevant types of economic activity (due to transition to the new, internationally harmonized classifications of types of activity and products, and also because of a high level of

¹ Non-official translation into English provided by the State Statistics Committee of Ukraine.

- mobility of service market regarding their types);
- identify a system for economic indicators for services statistics;
- optimize the employment of sources of statistical information in the area of services, make use of administrative data and surveys of household living conditions.

CONCEPT OF SERVICE STATISTICS: THE MAIN DEFINITIONS AND TERMS

3. First of all, within the framework of the Concept, it was necessary to consider the definitions of services as an economic category and an object of statistical study, classifications and groupings with the aim of systematizing their statistical characteristics.

4. The services should be regarded as the results of economic activity, which do not have the material form and which satisfy certain needs – personal and collective. The services represent the result of heterogeneous activity that is carried out by a producer according to a customer's request and that, as a rule, leads to a change in condition of units who consume these services. In the total volume of services, it is acceptable to distinguish the two parts. The first part of services is intended for the industrial consumption by some areas in production spheres of tangible welfare and services. The second part of services that are produced is intended for household final consumption, i.e. for non-industrial consumption.

5. The specifics of services as a product is that the services are not accumulated (with the exception of some of their types) or transported. They do not exist independently from their producers, i.e. they are consumed at the moment of their delivery. The services are produced and sold at the same time if we do not take into account the time of payment which can be different from the time of delivery (statistical surveys are organized according to this principle). Therefore, the market conditions are not sensitive to the pressure of commodity stocks: they are identified through the relationship between demand and supply of services. The volume of supply depends on the economic potential of activities in the sphere of services.

6. A part of services being produced is market services. In Ukraine, the primary task of improving service statistics concerns the coverage of enterprises specialising in rendering the market services by statistical observation, caused by the continuous rise of the share of service sector in gross value added.

7. Expenditures for final consumption of the general government and institutions serving individual needs of households and the collective needs of society as a whole, as well as non-profit institutions serving households, are considered separately. The highlighted groups of institutions provide services at prices that do not have any economic significance. For this reason, these services are considered as non-market and their volumes both in production and consumption are estimated at cost price.

8. The emergence of services products has led to the formation of the market for services and has put forward a task for statistics to describe its potential, functioning and results as well as to estimate how the development of the market of products can influence the satisfaction of the population's needs and the country's economy.

9. Therefore, the object for study in this domain of statistics is the market of services, and the subject is the quantitative characteristics of its condition, functioning and results.

10. The sphere of services is a consolidated generalised category which includes the provision of diversified types of services being rendered by legal and physical persons. The singling out of the sphere of services as a separate economic category is connected with the division of labour into two types: production of commodities and production of services. Taking into account some peculiarities of the formation of the system of national accounts, namely: consideration of a set of transactions with products (commodities and services) through the relationships between institutional units (sectors), the sphere of services should be studied according to the functions of separate economic sectors.

11. Production of services is secured in all institutional economic sectors:

- non-financial corporations;
- financial corporations;
- bodies of general government;
- households;
- non-profit institutions servicing households.

12. The development of separate methodological approaches in Ukraine requires statistical examination of services within the framework of the financial corporation sector, given the specifics of financial services (this is connected with the peculiarities of primary reporting and a system of indicators).

13. Within the framework of studying the services sphere within the sectors of general government, households and non-profit institutions servicing households, and given the availability of certain developments to conduct the relevant statistical observations, it is required to improve the system of indicators in line with international standards. Specially tailored sample surveys should be used as data sources in order to be able to study the sphere of services within informal economic sector.

14. The development of methodology for statistical observation of services in the non-financial sector has been defined as the most pressing and immediate task. The methodology should become the final stage in the creation of the integrated statistics of enterprises in Ukraine. Besides, the enterprises of this economic sector have the most significant effect on creation of gross value added.

THE TASKS TO IMPROVE SERVICE STATISTICS

15. Within the framework of development of conceptual approaches for service statistics, it is important to address the following tasks:

- harmonization of structural and short-term statistics of services within the general framework of business observations and according to international standards;
- introduction of coherent classifications of types of economic activity and products into statistical practices as well as functional classifications which are based on international principles;
- development of a system of statistical indicators that is consistent with new standards in bookkeeping and requirements of the system of national accounts;
- development of a technique to identify short-term indicators, taking into account the

- Eurostat rules and recommendations and the national specifics of business cycles;
- development of a methodological basis for conducting annual observations in the area of separate modern types of services, which were not studied previously by Ukrainian statistics;
- structurization and improvement of a system of statistical observations and sources of statistical information in the area of service statistics.

16. The main methodological problems were resolved in 2001 within the framework of designing the new short-term and annual observations for enterprises that provide services:

- the units of statistical observation were identified (an enterprise, a separate structural division of the enterprise – taking into account the large independence of these particular units in decision-making, namely, in using the current assets considering the financial and production functions);
- the specifics of using statistical tools were identified (adequate classification of service enterprises according to the appropriate type of economic activity due to transition to a new classification of types of economic activity harmonized with international standards, making use of the Integrated State Register of Enterprises, Departments and Organizations of Ukraine (Business Register));
- the foundation was laid to create a system for economic indicators for service statistics;
- the use of sources of statistical information about services was optimised.

The use of classification

17. The methodological approaches to service statistics have significantly changed (as compared with other types of statistics) due to the introduction of new statistical tools.

18. Classifications have their impact on the statistical integration of economic statistics and ensure a standard which identifies a progress in economic data collection. Classifications assist statistical offices in achieving an appropriate level for providing data sources to economic statistics. Classifications significantly affect the design for data collection that, in its turn, impacts on definition of statistical units and indicators, development and improvement of classifications, and the use of data collection methodology.

19. The national classification of types of economic activity in Ukraine is harmonized with the basic multinational (for the EU countries) international classification of types of economic activity (NACE). Therefore, the new methodological approaches to services statistics should be based on the introduction of the National classification of types of economic activity.

20. According to this classification, the approaches to identification of a range of enterprises functioning in the area of services have significantly changed, since this Classification considers a type of economic activity in relation to a product (commodity or service) which is the final result of such activity.

21. Proceeding from the above, the enterprises whose type of activity is production of services are those who, according to the National classification of types of economic activity, refer to the following:

- Section G “Wholesale and retail trade, trade in transport vehicles, repair services”;
- Group 50.1 Trade in motor vehicles (all subclasses of the group);
- Group 50.3 Trade in motor commodities (all subclasses of the group);
- Group 50.4 Trade in motor-cycles and their repair (excluding subclass 50.40.4- technical maintenance and repair of motor-cycles, scooters and motor bikes);
- Groups 50.5-52.6 (all subclasses of groups);
- Section H “Hotels and restaurants”;
- Groups 55.3 Restaurants, 55.4 Bars, 55.5 Canteens.

(The mentioned types of economic activity are identified as trade and the public catering.)

- Section J “Financial activity” (all section subclasses);
- Section L “The general government” (all section subclasses);
- Section Q “Exterritorial activity” (all section subclasses).

(The mentioned types of economic activity are identified as financial services, services of the government administration and services in the area of exterritorial activity.)

- Section G “Wholesale and retail trade, trade in motor vehicles, repair services”;
- Group 50.2 Technical maintenance and repair of motor vehicles (all section subclasses);
- Group 50.4 Trade in motor cycles and their repair (subclass 50.40.4 – technical maintenance and repair of motor cycles, scooters and motor bikes);
- Group 52.7 Repair of articles of personal use and household consumption (all group subclasses);
- Section H “Hotels and restaurants”;
- Group 55.1 Hotels (all group subclasses);
- Group 55.2 Other places for short-term accommodation (all group subclasses);
- Section I “Transport” (all section subclasses);
- Section K “Transactions with real estate, hiring, and services to legal persons” (all section subclasses);
- Section M “Education” (all section subclasses);
- Section N “Health care and social assistance” (all section subclasses);
- Section O “Collective, public and personal services” (all section subclasses).

(The mentioned types of activity are identified as non-financial services excluding trade and the public catering.)

System of indicators

22. Taking into account the features of business cycles and the procedure to complete the primary reporting to be submitted by enterprises operating in the sphere of services, statistical observations are carried out separately by set of enterprises from any of the above-mentioned groups.

23. To survey the third group of enterprises (non-financial services), the SSCU has approved and put into practice the unified monthly and annual reporting forms on service statistics.

24. As for economic indicators for service statistics, they are identified according to international standards (Eurostat`s recommendations):

- volume of services being sold (turnover of service enterprises);
- volume of the sold services by category of user;
- material expenditures and other operational expenditures;
- average number of staff;
- average number of those not permanent staff (those who work on contracts and external persons with several jobs)
- the number of unpaid workers (for enterprises of private type of ownership – owners, founders of an enterprise and the members of their families).

25. Economic indicator for volume of the sold products (services) is defined as price for sale of final products (services) shipped outside by an enterprise. The price is indicated in the prepared documents that serve as a basis for settlement with buyers (customers).

26. Volume of the sold products includes the costs of transport, packing and other operations which were fulfilled by an enterprise on its own, even if they are indicated separately in the record for payment. The composition of the indicator excludes the production for enterprise's own needs, sums of the targeted revenues (subsidies) for production, sums for advance payment for products.

27. Income (proceeds) from the sold products (services) is defined if the following conditions are met:

- a buyer is given risks and advantages connected with the right of ownership over the products;
- an enterprise is not responsible for the management and control over the sold products;
- sum of income (proceeds) could be positively identified;
- it is safe to say that because of transaction, the economic advantages for an enterprise will be increased and the expenditures connected with this transaction could be identified for certain.

28. The indicators mentioned above are in line with the EU requirements. The needs of the national accounts are also taken into account. The analysis of the needs of users, the EU member-countries, shows that the most systematic demand is for indicators that show the number of enterprises and local units by type of activity and region, turnover (income from selling products excluding value added tax) and data on the number of the employed.

29. The common approaches to methodology for statistical observation over a group of enterprises operating in the service sector have been developed and put into statistical practice in Ukraine. The first results of short-term and annual surveys of the activities of enterprises in the service area were received, which have been put in a database covering a three-year period. International experts positively appraised the results achieved in implementing this work in Ukraine.

THE RESULTS OF IMPLEMENTATION OF THE CONCEPT OF SERVICE STATISTICS

30. Within the framework of establishing service statistics in Ukraine, the following results were achieved:

- Service statistics was established within the framework of enterprise statistics;
- concepts, definitions and methods to measure short-term economic indicators in the area of service statistics were adapted;
- a system for indicators of statistics of services consistent with international standards was developed;
- recommendations to conduct short-term and annual observations in the area of service statistics were prepared;
- tools to carry out short-term and annual observations of enterprises operating in the area of services were developed.

31. The implementation of the above-mentioned elements allowed to provide key users with the necessary data on service statistics:

- Department of national accounts and prices of the SSC of Ukraine.
- executive bodies;
- legislation bodies;

KEY TASKS FOR THE FUTURE

32. Top priority should be given to the development of methodology for estimating short-term and annual indices for service statistics, since at this very moment Ukraine faces the pressing problem of deflating indicators characterising the development of enterprises that operate in the area of services and consequently the introduction of statistical observations to estimate the changes in price indices of service producer. Currently, the deflation is possible only through the use of price index for services in domestic market in the part showing population consumption (some 30% of the total turnover for enterprises operating in the area of services) and excluding prices for exports (about 12% of the total turnover of enterprises operating in the area of services).

33. Given the significant number of service enterprises in Ukraine and the need to carry out the short-term observations over this set, there is an apparent need to introduce sample surveys, and to develop methodology grossing up the survey results. The SSCU conducts the relevant work and, according to the recommendations provided by experts from INSEE (France), the approaches to design a sample for service enterprises are being developed.

34. For the purpose of obtaining statistical information with respect to distribute the turnover of service enterprises by types of products (services), there is a need to develop the appropriate statistical tools. The question is about the nomenclature of services by types. The nomenclature should be harmonized with the National classification of types of economic activities and the relevant changes should be introduced into the State Classification of Products (SCP).

35. Apart from SCP, it is planned to apply additional functional classifications for the purpose of system of national accounts to increase the quality of collection, development and analysis of information about the consumption of services, and to make international comparisons. They are defined in this way because they reveal the functions which can be performed if the groups of entities carry out the appropriate operations:

- classification of individual consumption by purpose;
- classification of functions of bodies of the general government;
- classification of purposes of non-profit institutions servicing households;
- classification of expenditures of producers by purpose.

36. The necessity to use the above-mentioned classifications in the statistical practices of Ukraine implies undertaking work aimed at their adaptation to the national environment through the logic, methodological and classification coordination with the Classification of types of economic activities that is already in use. The common principles of methodology and organization of service statistics establish the working frames for the study of production and consumption of services. In turn, the consumption could be considered as the specific and separate process for movement of services. The international aspect of this problem is poorly studied. Therefore, in the process of studying, it is possible to establish the additional methodological approaches and tools to implement a comprehensive analysis of production and consumption of services.

REFERENCES

1. Council Regulation (EEC) No 696/93 of 15 March 1993 on the statistical units for the observation and analysis of the production systems in the Community.
2. Council Regulation (EEC) No 1165/98 of 19 May 1998 on short-term statistical observations.

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