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**Development of Services Sector Statistics – at a cross road?**

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# Development of Services Sector Statistics – at a cross road?

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## *Abstract*

*This paper describes the current and future needs for structural information about the services sector and evaluate to which extent the current European structural business statistics and the proposed amendments can fulfil these requirements or if the economic development requires a change in the current orientation of the development of structural business statistics and services statistics in particular. The paper argues that with the proposed and foreseen amendments of the structural business statistics regulation and the regulations on activity and product classifications, manufacturing and services are to a large extent put on equal footing and the future developments should be dedicated to more thematic and horizontal issues such as the knowledge-based economy, the internationalisation of the economy or the competitiveness and productivity issues.*

*The views expressed are purely those of the author and may not in any circumstances be regarded as stating an official position of the European Commission.*

## **1. Introduction**

For decades both users and producers of statistics have emphasized the imbalanced business statistics; mainly focusing on traditional activities such as manufacturing industry. It has been evident that on the one hand our economies are increasingly being dominated by the services activities and on the other hand the statistical coverage of the services sector has not been developed equivalently.

There are several factors explaining the reasons for this deficit in official business statistics such as the intangible nature of services (measurement problems), the dynamics of the sector (moving target) or administrative or political reasons (lack of resources or the concern of the respondent burden).

The re-launch of the Lisbon Strategy refocusing the priorities on growth and employment by renewing Europe's competitiveness basis, increasing its growth potential and its productivity and strengthening the social cohesion, placing the main emphasis on knowledge, innovation and the optimisation of human capital, has generated specific needs for access to statistical information covering the services sector, but also for statistics targeting new phenomena mainly of cross-cutting nature.

This paper describes the current and future needs for structural information about the services sector and evaluate to which extent the current European structural business statistics and the proposed amendments can fulfil these requirements or if the economic development requires a change in the current orientation of the development of structural business statistics and services statistics in particular.

## **2. Development of dedicated services sector statistics**

During the late eighties and the nineties national and international statistical institutes began developing statistics on the services sector, due to the growing economic importance of the services sector and the derived needs for statistical information from different groups of users<sup>1</sup>.

As a consequence, several EU Regulations covering the services sector have been adopted, i.e. on statistical business registers, structural and short-term business statistics. Following the implementation of these regulations, the European Statistical System has been considerably improved. As an illustration of the improvement: before the adoption of the Structural Business Statistics (SBS) Regulation December 1996<sup>2</sup> harmonised structural business statistics were only available for extraction, manufacturing, energy and water supply and construction. Thus, the implementation of the SBS Regulation also covering business-related services and other services sectors must be seen as a very important achievement.

Furthermore, the recent proposals for amending the SBS Regulation including the introduction of a detailed activity breakdown of the core variables for the services sector, the new annexes on breakdown of turnover in business services (product statistics) and on enterprise demography address and potentially fulfil (as is argued in this paper) the general

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<sup>1</sup>For an overview of the conceptual development and practical measurement issues in the field of services statistics, see UN-Economic and Social Council. Report of the Australian Bureau of Statistics on statistics of services (doc. E/CN.3/2003/12).

<sup>2</sup>Council Regulation (EC, EURATOM) N° 58/97.

and basic analytical need to understand the size, structure and evolution of the service sector's output and employment.

The structural business statistics is covering the traditional market services, but several services activities such as health and educational services are under transition from being produced on non-market conditions to being offered and produced on market conditions. Currently, these services activities are not covered by the structural business statistics and in order to establish the sufficient statistical data for monitoring these services markets, a statistical coverage need to be set up. The first step of covering these services in the future is to identify the user needs in order to feed Eurostat with a prioritised list of user demands as input to possible future amendments of the structural business statistics regulation.

The increased coverage of the services sector as a result of the proposed amendments is further supported by the proposed revision of the activity classification (ISIC/NACE) which main achievements are the introduction of new activity classes in the services sector, especially within the existing business and ICT services sectors. I expect the revised activity nomenclature to allow for more profound and detailed analysis of the services sector.

One of the major gaps in the European services statistics is the absence of a well developed product classification. I hope that the new and revised CPA will fill this gap but especially the growing number of online services constitutes a major challenge. From a legislative point of view issues such as internet telephony or online gambling need to be addressed urgently. For policy-shaping purposes, a monitoring tool is currently missing and a well developed product classification is crucial for monitoring the services markets. Furthermore, a product classification is also needed for the urgent challenge of developing producer price indices for services and for policy purposes such as the international trade in services negotiations (WTO).

If the above mentioned proposals will be put in place in the coming years; it is my argumentation that the basic statistical coverage of the services sector necessary for the future evidence-based policy-shaping in the context of the renewed Lisbon Strategy will be established. The final outcome of these amendments and revisions will be that the statistical coverage of the services sector and manufacturing is put at relatively equal footing; at least concerning structural business statistics.

This statement is not an argument for that no further enlargements of the statistical coverage of the services sector are needed (as for instance the enlarged coverage by including services in transition or the development of producer prices for services), but is an argument for that we need to revise the current strategy for the future development of structural business statistics from focusing on the development of dedicated services sector statistics to focus on new horizontal phenomena having an impact on the performance of enterprises and the economic development, whether being services or manufacturing enterprises.

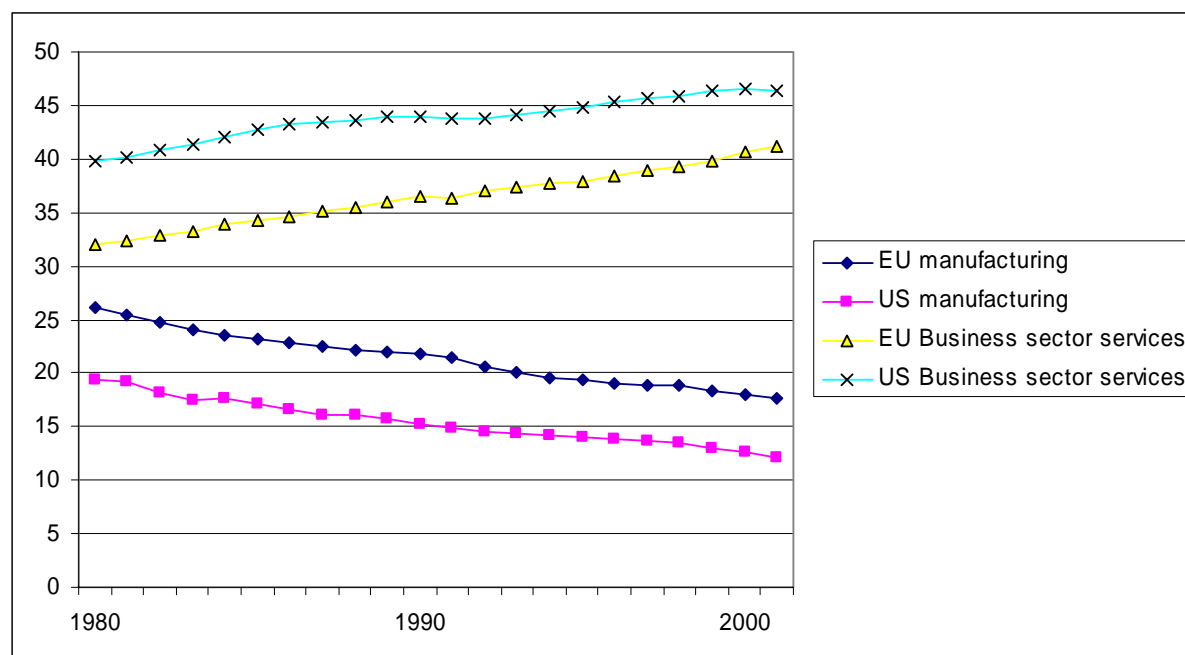
### 3. The future challenges for the services sector in Europe

Today, Europe must certainly be characterized as a services economy as more than 70% of total value added is created within the services sector and business-related services<sup>3</sup> alone account for nearly 50%.

It should be noted that the services sector is the main provider of jobs attracting new groups to the labour market as part-time employment or in low-skilled jobs. Furthermore business-related services is the most dynamic sector of the economy; creating 9.5 million new jobs net in the period 1995 to 2003 in the EU25 – of which 8.6 million were created in the EU15. In the same period, the manufacturing industry in the EU25 lost 2.3 million jobs; of which 1.4 million in the EU15. The dynamics of the services sector is also illustrated by the fact that more than two-thirds of all new enterprises in EU15 are created in this sector.

The described development of business-related services could indicate a sector not confronted with serious challenges. But the recent development also identifies a number of challenges which need to be dealt with urgently, if the European business-related services sector shall not lose momentum. If we are not able to provide better framework conditions tackling these challenges, there is a risk of rapid migration of employment to other regions, as has been the case in many manufacturing industries.

**Figure 1. Share of business-related services and manufacturing in total employment 1980-2001 in the EU 15\* and the US.**



Source: OECD STAN database. \* EU excluding Ireland, Western Germany 1980-1989, excluding Greece 1980-1984, Portugal 2000-2001, Sweden 2001.

<sup>3</sup> Business –related services consists of the main market services providing services to enterprises; i.e. business services (NACE 70-74), distributive trades (NACE 50-52), network services (NACE 40-41, 60-64) and financial services (NACE 65-67).

The European Commission established a European Forum on Business-Related Services consisting of all stakeholders (member states, professional organisations, workers representations and research institutions) to identify the challenges which the sector is confronted with and proposals to encounter these challenges. The Forum identified the following challenges<sup>4</sup>:

Emerging business models in the business-related services sector are increasingly focusing on *global sourcing of services*<sup>5</sup> enabled primarily by the technological development, market deregulations and trade liberalisations. Services firms are getting globalised for two main reasons, respectively market or cost advantage seeking driving factors.

A skilled labour force contributes to productivity growth and competitiveness by enabling companies to utilise and take advantage of their investments in ICT and other innovative features. The labour-intensive nature of many business-related services, the high degree of interaction with customers, the knowledge intensity of many services and the importance of tacit knowledge are all factors implying the importance of a sufficient supply of skilled human capital and *the vulnerability of the sector in a future labour market confronted with emerging skills gaps*.

Since the second half of the nineties, the *European business-related services have shown a productivity performance which is relatively poorer* than the manufacturing sector and – perhaps more noteworthy - much lower than in the US services sector, especially for distributive trades and financial services. To ensure a sustainable development in the EU there is an urgent need to focus on the competitiveness of European business-related services.

The Forum also established a working group especially investigating the needs for improved knowledge about the services sector; being research or statistics, in the light of the challenges identified. The need for *improved transparency* of the services markets in order to make the European Internal Market for services function well, enhance the competitiveness of European businesses and improve the basis for decision-making of businesses or policy-makers.

#### **4. Future development of services sector statistics/thematic horizontal business statistics**

The Forum reports states that improvement of the knowledge and statistical coverage of BRS is important in order to better understand the real forces behind the development and competitiveness of the sector. This is an essential instrument for giving guidance to decision making by business operators, policymakers and other stakeholders and for monitoring of progress of the Lisbon agenda. Policymaking can only be well shaped and targeted when it is based on reliable knowledge and statistical evidence about the structure and development of the sector.

From the discussions in the working group, a number of main topics for the development of future research and statistics covering the services sector have crystallised, also taking the policy issues and the derived statistical needs of the renewed Lisbon strategy into consideration. The following list of recommendations related to the identified gaps in

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<sup>4</sup> 2005 Report of the European Forum on Business-Related Services

<sup>5</sup> Global sourcing covers international outsourcing to independent parties abroad or to foreign affiliates

knowledge and statistics have been elaborated and structured under the following main headings:

## **4.1. Knowledge-based economy**

### ***4.1.1 Background***

One of the key features of the knowledge-based economy is the importance of interaction between suppliers and clients, and relations between enterprises, both within and also across sectors. The quality of any service depends on many factors. These include the qualifications of staff involved in its delivery, the process of interaction with the client, and of course the final result that is delivered. The intangible nature of services raises a large number of problems. Statistical treatment is hampered by the difficulty of quantifying the input and output measures. Company reports provide managers and investors with little reliable or detailed information about the intangible assets which constitute the main drivers of value creation in the service economy.

The most important feature of business-related services is that they are present in - and integrated into – and thus adding value to every stage of the value chain. They are a fundamental necessity for the existence of all enterprises, whether in manufacturing or services, micro or large enterprise. All enterprises need services to produce and to be competitive. Services can be produced either internally by the enterprise itself – independent of its activity – or they can be purchased. Many enterprises have outsourced some of their services activities previously produced in-house in order to procure these services in a competitive market or to obtain greater flexibility. As a consequence, business-related services have become more specialised and thus capable of delivering products of higher quality and differentiation, increasing the competitiveness of the users of these services.

The borderline between manufacturing and services has become increasingly blurred and sometimes outdated, as an expanding share of manufacturing companies become service providers due to the growing importance of services in the value added creation of all sectors of the economy. The increasing presence of embedded ICT in all types of products is a key driver of developments in manufacturing, as well as the demand from customers for delivery of a wide range of product related services. Furthermore, some services are amenable to codification, embodiment in software packages, and therefore stockpiling for future use, rather than being merely consumed when the service function has been performed. This illustrates the difficulties in capturing modern business realities in statistically relevant categories.

### ***4.1.2 Proposals for future topics to be addressed***

Based on these observations, a number of proposals for improving the statistical coverage can be identified:

An area of priority is the fostering of **new and improved knowledge about enterprise interactions between services providers and their clients** (e.g. outsourcing, purchases of services, networking) to better understand the drivers of the development of the services sector and its impact on the competitiveness of all sectors of the economy. For statistical offices the challenge is to develop a methodology to identify and survey these types of more soft and intangible phenomena.

*Action proposal: The Commission has financed a pilot survey on demand for services carried out by Eurostat and national statistical institutes with a global scope, covering all sectors of the market economy. Based on the experiences from this survey, it seems to be feasible to carry out this type of survey regularly, e.g. every 5 years. The issue of networking is judged of more complex nature and still premature for regular large scale surveying, based on the experiences from the Eurostat ad hoc survey on inter-enterprise relations.<sup>6</sup>*

A particularly important issue in the context of the growing role of services concerns the interaction between different sectors of the economy, and the ways in which these interactions could potentially be measured. Input-output tables offer one option, but they are not always available at a detailed level enabling to address questions regarding the evolving nature of supply chains.

*Action proposal: Together with OECD we have proposed an approach, identifying and building on other possible sources than I-O tables. Firstly, micro data might also provide helpful insights, as they might enable an analysis of the changing distribution of enterprises value added or employment disaggregated by sector on the basis of its establishments. This would obviously be helpful in examining how much manufacturing value added originates from service activities or how much services value added originates from manufacturing activities. Secondly, an approach is to use data on occupations, which can show the changing composition of the services and manufacturing workforce.*

The importance of non-technological innovation and organisational changes is increasingly emphasised as a key driving force of growth and competitiveness. The concepts and measurement methodologies need to be further refined and developed in this area, as this issue is mainly to be addressed in the context of innovation statistics; it is not further pursued here.

*Action proposal: Based on the experiences from the OECD pilot survey on Knowledge Management, we have designed a project on Knowledge Management. Due to the hesitant receipt of the proposal from the national statistical institutes and acknowledging the complexity of and the measurement problems related to the subject, we have decided to postpone the project and instead elaborate – together with Eurostat- a proposal for a module on Knowledge Management to be included in the coming Community Innovation Survey. This will constitute an important step of improving and strengthening the coverage of services innovation.*

**Development of an improved product classification to be used for future data collections of services outputs**, including also the collection of producer prices for services, has been identified as being of crucial importance for measuring real services output and productivity. The blurred borderlines between services and manufacturing underline the needs for other types of measurement than activity based ones.

*Action proposal: The coming draft proposal of the revised CPA will be the starting point for discussing improvements in the nomenclature and the possibilities of using this in different types of surveys addressing the services sector. The Commission has financed pilot surveys on*

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<sup>6</sup> Peter Bøegh Nielsen and Samuli Rikama: *Inter-enterprise relations – first results from the Eurostat ad-hoc survey. Paper presented at the OECD Workshop on Services 15-16 November 2004.*

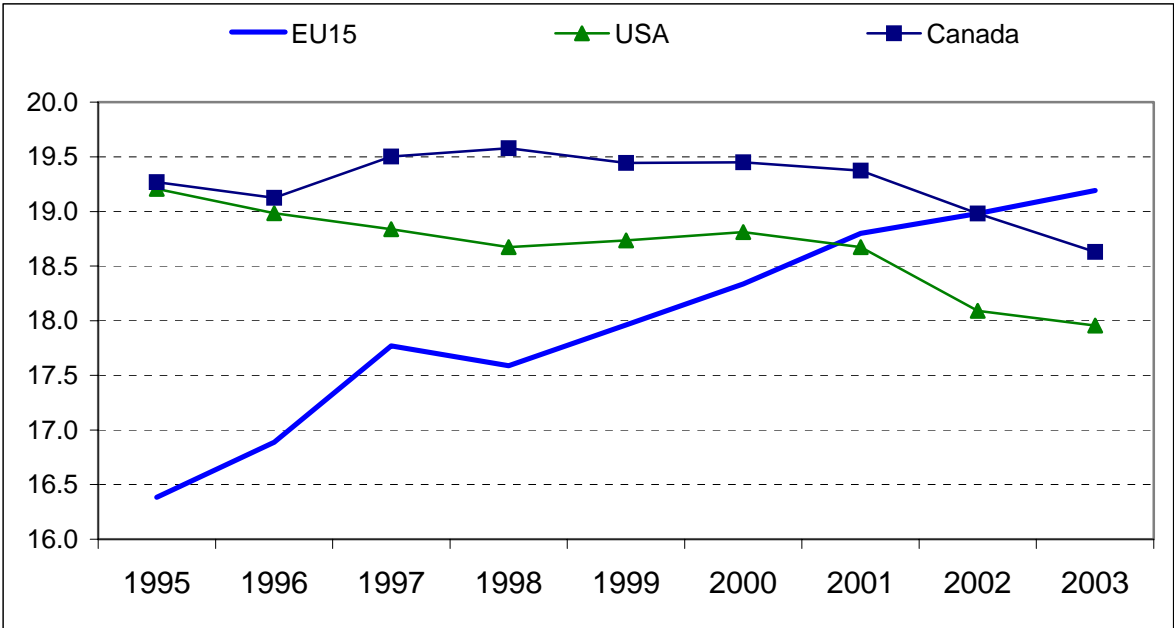
breakdown of turnover by products in business services. The surveys, carried out by Eurostat and the national statistical institutes, have proven so successful that this type of data collection is now proposed as part of the structural business statistics regulation, although the product definitions are not yet determined; awaiting the revised product classification.

**4.2. Internationalisation of services**

**4.2.1 Background**

Industrial restructuring has been part of the economic development in the EU in the last decades, especially influencing the manufacturing sector, and leading to a concern about a process of deindustrialisation in Europe. A more recent trend, which has caught high political attention, is the apparent increasing international sourcing of services. The concern has been based on numerous reports and studies, but no comprehensive official statistical data covering the issue, giving a global picture, are currently available. The results of recent research by the OECD on the potential international sourcing of ICT-intensive using occupations point out that close to 20% of total employment in the EU15 could possibly be affected; many business services have a high share of employment potentially affected by international sourcing.

**Figure 2. The share of occupations potentially affected by offshoring in total employment: EU15, U.S. and Canada, 1995-2003\*, percentages**



\*Note: Includes estimates where a full data set was not available. In particular, because of classification changes, the number for 2003 for the U.S is an estimate.  
 Source: OECD, based on EULFS, US Current Population Survey, and Statistics Canada (2004).

As the majority of services functions require a proximity to the market and clients, the services being internationally sourced in this initial round are mainly back-office functions, e.g. IT services or finance/accounting, enabled by the increased use of ICT and Internet connectivity by enterprises worldwide. However, also functions focusing on customer contacts are increasingly being delocalised, especially call center functions. A number of

companies within BRS, especially banks, telecoms operators, travel agents and IT companies have already moved parts of their services functions outside Europe.

The main driver of international sourcing is labour cost differentials and market access, but also availability of sufficiently skilled labour, access to cutting-edge knowledge, economies of scale, corporate restructuring, new consumer markets, and capability of offering services around the clock to customers. The main trends pointed out are a move from experimental to consolidation phase (the phenomenon looks to be here to stay), search for new locations, growth of intermediaries, increasingly skilled functions (skilled jobs are also being sourced).

A further motivation for international sourcing is the availability of a well educated workforce with the required skills in order to avoid possible scarcity of skills in the country of domicile, also in the foreseeable future. As a consequence, many sources report on increasing delocalisation of more knowledge-intensive jobs as IT engineers, researchers and analysts.

International sourcing of services as a business model is being facilitated by the increased globalisation of services markets as a consequence of market deregulations and trade liberalisations, including the recent enlargement of the EU. Another significant facilitator is the technological development, especially within ICT, allowing companies to codify and transfer information and knowledge globally.

The impact of international sourcing of services functions is a sensitive and complex issue. The expected cost savings make the companies more competitive and also offer the companies new market opportunities and, via reengineering processes, foster organisational innovations, again improving competitiveness and sustainable development implying new job creations. On the other hand, delocalisation of services inevitably causes immediate job losses in the European countries affected. This challenges the capability of the European labour market to re-employ the persons who lost their jobs via new job opportunities, based on increased competitiveness and growth of European enterprises, and sufficient training opportunities to upgrade skills required for the new jobs being created.

#### ***4.2.2 Proposals for future topics to be addressed***

Based on these observations, a number of proposals for improving the statistical coverage can be identified:

Services – particularly business-related services – are becoming increasingly internationalised and are facing rising competitive pressure. Continuing technological advances, the adoption of ICTs and the digitalisation of services combined with ongoing efforts to liberalise services trade, increase the tradability of many types of services, and the supply chains in services and manufacturing sectors are changing from being largely local to increasingly international. **The growing internationalisation of services markets is not sufficiently reflected in the official statistics.**

*Action proposal: We strongly support the proposed regulation on Foreign Affiliates Trade Statistics even if the regulation only requires compilation of inward FATS and only foresees pilot surveys on outwards FATS. Especially in the light of the increased global sourcing, see below, we support an early start of these pilot studies. The globalisation of the economy also emphasizes the importance of the choice of the statistical unit and we support initiatives to*

*test the feasibility of using the group of enterprises as the appropriate statistical unit in understanding the globalisation processes. Furthermore, recent research has shown the higher productivity of multinational enterprises compared to nationally restricted ones (being groups or not). We find this type of information important to be introduced in the statistical information for future analysis of the economic performance of enterprises. Finally we also need a statistical coverage of cross-border movements of persons on a temporary basis (mode 4).*

In particular, the business model of **international sourcing of services** is likely to grow in importance and involves now both high and low skill activities. To understand the drivers of globalisation in order to shape policy, it is recommended to further **research in the business strategies behind global sourcing and the ways in which they differ from manufacturing strategies for internationalisation and delocalisation of services jobs.**

*Action proposal: This is an area, where we currently are very active and are involved in initiating several projects. A joint European Commission and OECD project on measuring international sourcing of services has been approved and will be initiated in the second half of 2005. The project focuses on developing a framework for improved measurement of international sourcing and collecting and developing better quantitative measures of the scale and impacts of international sourcing of services giving input to on-going Commission work in this field. The first part of the study is stocktaking, to analyse available approaches and data and explore the extent to which it provides suitable proxy measures of international sourcing of services. This will include a review of existing data such as trade data, trade in intermediates, employment data, input-output matrices, activities of foreign-owned firms in domestic markets or domestic firms in foreign markets, and identification of new potential administrative sources such as information available in national administrations based on the directive on mass redundancies and designing of a new business survey tool. The second part of the study focuses on firstly developing and analysing existing data on international trade in services and ICT-related employment data. Secondly, carrying out business case studies with the purpose of 1) identifying elements to be included in a possible future business survey, 2) identifying services functions, in manufacturing or services companies, potentially to be outsourced with 3) a special focus on high skill jobs and 4) identifying different business models related to international sourcing of services. This second part will form the major part of the project. The third part of the study consists of drawing out policy issues and policy responses to the phenomenon, particularly in the light of both services trade and possible shifts in employment patterns.*

*Secondly, the European Commission via European Monitoring Centre of Change has launched a survey asking Member States about the feasibility of using for statistical purposes the information on preannouncement of collective redundancies collected in the context of Directive 98/59/EC and supposed to be available in the national administrations. This exercise is inspired by the US mass lay-off statistics published by the Bureau of Labor Statistics.*

*Thirdly, the European Commission and Eurostat will develop and design a dedicated business survey on international sourcing to be carried out by the national statistical offices. The survey is expected to address issues such as motivations and barriers for international sourcing. An important objective of this exercise is also to link the information at firm-level with economic and employment information collected in the framework of the structural business statistics.*

A well functioning Internal market for services is crucial for the competitiveness of the European economies. Therefore, relevant information and facts about factors driving and barriers hampering cross-border trade in services, the impact on the competitiveness of European enterprises and the consequences for employment in the EU if barriers are lifted is urgently needed.

*Proposed action: The Commission will propose an action to be carried out by Eurostat and member states which should provide detailed statistical evidence concerning the different problems and barriers encountered, provide detailed information about possible differences in the barriers perceived related to sector and enterprise size and indicate if the barriers encountered are similar across Member States or national characteristics can be observed.*

## **4.3 Competitiveness of the services sector**

### **4.3.1 Background**

Traditionally, services have been regarded as stagnant or slowly growing sectors in terms of productivity performance compared to manufacturing industry. The argumentation is based on the different characteristics of the two sectors, as labour can more easily be substituted with capital investments in manufacturing. Services are characterised by being very labour-intensive and many services cannot be delivered without personal interaction between the service provider and the client, making substitution difficult. The potential for productivity growth by increased investments in physical capital or technological progress appears to be limited.

Historically, services have experienced lower growth in productivity than manufacturing and - with the growing importance of services – this can certainly lead to concern about the future global performance of European productivity and the possibilities to achieve the renewed Lisbon objectives. However, recent trends indicate that the traditional classification of the sectors into a productive manufacturing industry and an unproductive services sector can be disputed. Due to the increased use of ICT in services and the growth of the services used for intermediate demand, certain ICT-related, financial or business services have shown a strong productivity growth, especially in the second half of the 1990's.

With the growing overall importance of services, their poorer productivity performance needs to be addressed. In most EU Member States, the BRS are the main contributor to labour productivity growth. It is noteworthy that the contribution of BRS to overall labour productivity growth experienced in the US has been three times that of manufacturing and higher than the services sectors in general in any Member State. In both the EU and the United States the importance of BRS to total labour productivity growth cannot be underestimated since they account for about three quarters of total labour productivity gains in these economies.

A range of factors having an impact on the productivity performance can be identified such as the uptake of ICT, the innovative features of the sector (e.g. business reorganisation), business dynamics and rigid services markets and other regulatory obstacles (e.g. land use restrictions, opening hours).

Competitiveness is at the core of the renewed Lisbon strategy. **The main factors enhancing competitiveness** are the use of ICT by enterprises and integration into the business processes, innovation and human capital – and the interaction of these factors. Indicators for competitiveness have to be developed. The current main indicator is productivity. With the growing importance of services and their reported poorer productivity performance compared to manufacturing and the US services sector, the issue of productivity in services is important for the renewed Lisbon process.

#### **4.3.2 Proposals for future topics to be addressed**

Based on these observations, a number of proposals for improving the statistical coverage can be identified:

**Measurement of productivity in services** is a complicated exercise with a number of methodological problems hampering the measurement and creating some uncertainty about the real reasons for the continuing labour productivity gap with the US. The concepts of labour productivity work well for manufacturing enterprises, but are subject to considerable uncertainty when it comes to measuring productivity in the services sectors. Methodological problems include issues such as measuring labour input, measuring quantity and quality – and quality changes - of services output or deflating output. Productivity of services comprises several contributing factors, such as use of ICT, innovation, human capital and skills, organisational changes, customer satisfaction or streamlining business processes. Each of the productivity contributing components, though generally the combination of them, may be critical for productivity performance.

*Action proposal: Supplementing recent research and European Commission<sup>7</sup> and OECD initiatives in this area, we have launched a focused study on productivity in services comprising a methodological part addressing the measurement issue and its impact on the published statistics. A second part of the study focuses on specific services sectors such as distributive trade (retailing and wholesale), where Europe is lagging clearly behind the US in productivity performance. The study shall identify the factors having an impact on the productivity performance such as the uptake of ICT, the innovative features of the sector (e.g. business reorganisation), business dynamics, the rigid services markets in the EU and other regulatory obstacles such as land use regulations or opening hours. The third part of the study consists of business case analysis to better understand the complexity of the factors enhancing productivity and qualify the findings of the desk study. The case studies will include both multinational enterprises and SMEs.*

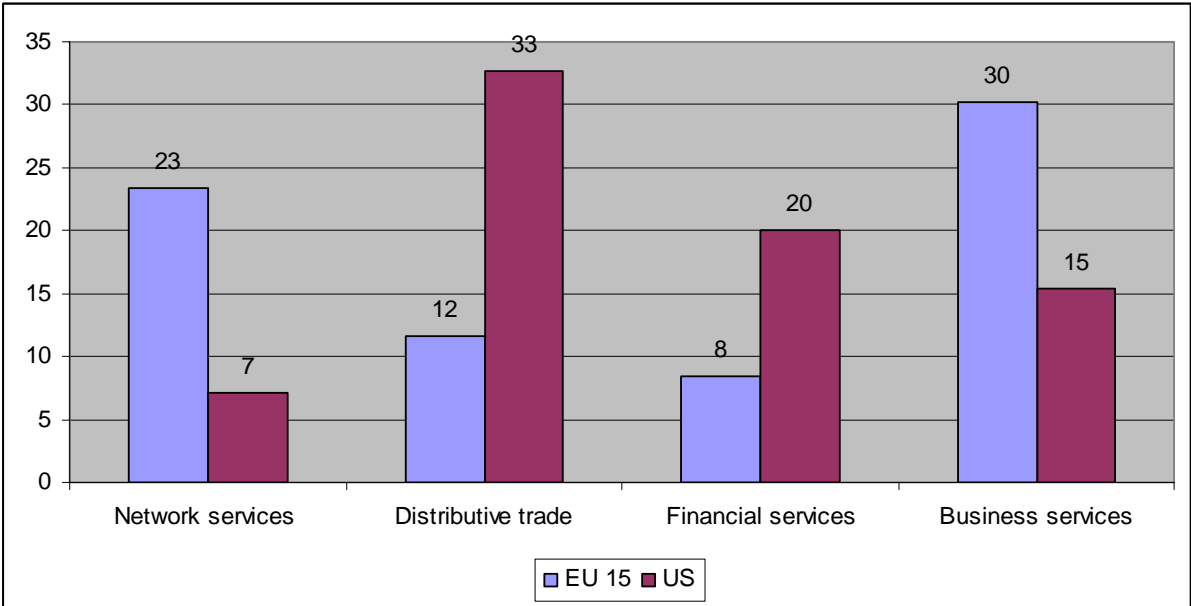
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<sup>7</sup> For instance the EU-KLEMS projects aiming to create a database on measures of economic growth, productivity, employment creation, capital formation and technological change at the industry level for all European Union member states from 1970 onwards. This work will provide an important input to policy evaluation, in particular for the assessment of the goals concerning competitiveness and economic growth potential as established by the Lisbon and Barcelona summit goals. The database should facilitate the sustainable production of high quality statistics using the methodologies of national accounts and input-output analysis. The input measures will include various categories of capital, labour, energy, material and service inputs. Productivity measures will be developed, in particular with growth accounting techniques.

Entrepreneurship and business dynamics are key elements in the renewed Lisbon strategy being key drivers of innovation, competitiveness and growth. Recent research has shown the importance of business dynamics for the productivity performance of services<sup>8</sup>.

*Action proposal: The Commission has financed a study on factors of business success carried out by Eurostat and the national statistical institutes. The pilot survey collects new information on successful entrepreneurship across the Member States and develop indicators on motivation for starting up own business, barriers and risks encountered during the first years of existence and business plans for future development. The survey is based on the business demography project identifying real births. If the approach proves feasible, it is proposed to carry out such surveys multiannually, e.g. every 5 years. Future surveys covering topics such as innovative start-ups, micro analysis of ceased enterprises or focusing on the performance of take-overs are important enlargement of the statistical coverage of the business demography.*

**Figure 3 Contribution of business-related services to average annual labour productivity growth 1995-2001, as a share of total growth.**



Source: Calculations based on O’Mahony and van Ark (ed.) 2003 industry database.

**5. Conclusion**

This paper argues that the European Statistical System is approaching the situation where the statistical coverage of manufacturing and services can be perceived as been put on equal footing which was the initial target of the strategy on services statistics adopted by the Commission.

<sup>8</sup> Toshiyuki Matsuura and Kazuyuki Motohashi: *Market dynamics and productivity in the Japanese retail industry in the late 1990s*, and John Baldwin and Wulong Gu: *Productivity growth in the Canadian retail trade sector: evidence from micro data*. OECD Workshop on Services 15-16 November 2004.

The paper then identifies a number of emerging topics which need to be addressed by the statistical offices; focusing on the needs for structural business information – excluding topics which are more likely to be covered by innovation statistics, information society statistics or social statistics. My argument is that these topics are characterised by being of a horizontal nature, i.e. they are not just relevant for the services sector but often the very interaction between the sectors is the object for analysis. The needs of user groups such as policy-makers suggest the need for developing an economy-wide approach addressing the horizontal topics. This justifies asking the question if the future strategy for the development of services statistics should still consist of a dedicated sectoral approach or is it more reasonable and constructive to change the development strategy to improving and developing the business statistics in a horizontal way, covering all sectors of the market economy, addressing thematic and cross-cutting issues as raised in this paper?

This question further leads to the question of organisational consequences for the future development of the services sector statistics. Traditionally, the Voorburg Group has been the international body responsible for this development but the UN Statistical Commission has given the Group a focused mandate to develop especially the services producer prices and the last meetings have shown the difficulties of coping with diversified topics. My question is if it would be more beneficial for the future development of services statistics to consider these emerging horizontal issues addressed by a group dedicated to business statistics; being an existing one or creating a new international forum?