

# Data Sources

## chapter 2



## 2.1 Business registers

In practice, business demography statistics require the existence of a statistical or administrative business register. This information varies across countries, although within for EU Member States, as described below, they have moved much closer together as a result of regulations concerning Business Registers.

That all said, it is important for producers and users of enterprise demography statistics to recognise their potential limitations in the context of international comparability - the main one being that the appearance of a business on administrative or business registers does not necessarily coincide with the date at which the business first became active. In some countries for example, businesses may be required to register, or voluntarily register, before any turnover is recorded or production occurs. Indeed it does not necessarily follow that all of these businesses will ever be involved in economic activity; instead they may remain permanently inactive. In yet other countries the administrative registers capture businesses after they have already been active for a while; usually because businesses need to exceed some threshold (commonly turnover or employment based) before registration. In practice this may mean that many small and micro enterprises will be excluded.

The existence of thresholds in business registers is perhaps the most important factor that can cause differences in business demography statistics. Although they attempt to be as exhaustive as possible, business registers will, in practice, use one threshold or another that excludes some businesses. Commonly, the thresholds are based on monetary values, using turnover as the indicator for example, or they are based on employment levels. However the thresholds may be based on other criteria reflecting the institutional make-up of businesses, for example they may exclude some industrial sectors, like agriculture, or all unincorporated firms. Finally the registers, in all countries, will exclude firms operating exclusively in the 'black' or underground economy. Although the economic importance of missing firms is generally not significant, when set against total economic activity, their importance in the context of entrepreneurship, and in particular with regards to Small and Medium Enterprise (SME) policy, is greater, and such shortcomings in business register information need to be recognised in the context of business demography statistics.

Survey based approaches to the measurement of births are also possible but these will typically be of lower quality than information derived from registers, which, in theory, cover all businesses above a certain threshold; although it may be easier to derive estimates of births from surveys since respondents will be able to describe precisely how their businesses were created: takeovers, births etc. Moreover, survey based approaches may also capture the creation of informal enterprises. However, the survey approach also suffers from the usual constraints of survey errors and sample size limitations when detailed data breakdowns are required.

In theory, census data can be at least as good, and sometimes better than register based information, if they have less scope restrictions, but the cost of running a census of businesses every year makes this approach unrealistic for most countries. Data from less frequent censuses may still be of interest but, as discussed in the section on periodicity below, they raise major comparability issues. Moreover, it would be literally impossible to identify enterprise deaths by means of surveys, as there would be no units to be surveyed.

Whilst recognising that many countries outside the EU do not currently have adequate statistical or administrative business registers, indeed, even within the EU the comprehensiveness of these registers varies across countries and time, the manual recommends that the business register serve as the primary and preferred source of information for business demography statistics. This source was chosen for various reasons including the following:

- Using data from statistical business registers is generally quicker and cheaper than conducting a survey, thus minimising the burden on businesses.
- There is a considerable degree of harmonisation of statistical business registers in EU Member States following the adoption of the business registers Regulation (Council Regulation (EEC) No 2186/93 of 22 July 1993 on Community co-ordination in drawing up business registers for statistical purposes). This Regulation sets standards for coverage of activities, units and variables, thus helping to assure a certain level of data quality, particularly as regards comparability.
- Under the EU Regulation, Member States are required to hold data on the enterprise, a harmonised statistical unit that removes the impact of different legal and organisational infrastructures. Although the enterprise has not yet been fully implemented in all Member States, and issues relating to the delineation of complex enterprises are still under discussion, the use of this unit will ensure a further increase in the comparability of data.



- Moreover, in calculating rates that require the total population of enterprises as the denominator, the conceptual consistency between the denominator and numerator populations can only realistically be maintained using the same source information. Survey based approaches may also be used to measure the total population of enterprises but they are complicated by issues of multiple-counting of enterprises and require survey respondents to differentiate between statistical business units. If business registers do exist, but a survey based approach is still used to estimate births, there is a risk that inconsistencies between the numerator and denominator arise, for example at the industrial sector level or because the numerator includes births of informal enterprises not included in the business register population.

Statistical business registers are themselves generally built from a number of different sources. The choice of sources is left to individual countries, under the principle of subsidiarity in the EU, though, again, for EU countries, the minimum standards set out in the Regulation must be complied with.

In practice, most national registers are based on a combination of administrative and statistical sources. The administrative sources generally include tax registers (e.g. for value added tax, corporation tax or income tax), compulsory registration systems (e.g. for limited liability businesses or those quoted on stock markets), social security sources and other public or private sector data holdings. The statistical sources generally comprise returns from various surveys.

The range of different sources used for a statistical business register means that duplication of units is a potential problem. Some countries have well developed systems and processes to deal with this, but others are still in the early stages of development in this area. This means that the matching routines described in chapter 5 are particularly important for ensuring comparable data.

The quality of statistical business registers in Member States and certain other countries is measured annually via a survey conducted by Eurostat. This survey also assesses the degree of compliance with the EU registers Regulation. As a result a time-series is being developed to show the rate of progress in the harmonisation of registers across the European Union. Taken together, this survey and the provisions of the registers Regulation help to ensure that the level of quality of statistical business registers as a source for data on business demography is known and documented, and where possible, improved.

The development and use of statistical business registers in the European Union is the subject of a separate methodological manual, which also considers (in chapters 11-16) issues relating to business demography, and continuity of units. It is available from Eurostat, or can be accessed on the Internet at:

[http://ec.europa.eu/eurostat/ramon/statmanuals/files/KS-BG-03-001-\\_\\_\\_-N-EN.pdf](http://ec.europa.eu/eurostat/ramon/statmanuals/files/KS-BG-03-001-___-N-EN.pdf)

## 2.2 Other sources

Basic data from statistical business registers are supplemented by data from other survey and administrative sources for certain purposes, particularly the determination of births, deaths and enterprise continuity. Examples of such sources and the purposes for which they are used in certain Member States are given in the following paragraphs.

- Tax sources – In the Netherlands various tax sources relating to e.g. VAT, profits and wages have been used to help determine the true population of active enterprises.
- Statistical surveys – An existing survey on the dissolution of enterprises is used in Portugal as an input to the matching process to determine deaths. Also in Portugal, the harmonised business survey is used to update turnover and persons employed, and provides a basis for estimating the number of employees. Surveys on labour and wages, and specific surveys on enterprise demography have been used in the Netherlands to help determine and validate the population of active enterprises.
- Clerical checking – This has been used to some extent in all EU participating countries to validate large births and deaths, and determine whether or not enterprises have survived. Clerical checks have also been used in some cases to investigate unusual or unexpected results. Sources used to aid clerical checking vary widely between countries, and include various administrative sources, direct contact (by mail or telephone) and the Internet.