



Meeting document 3

STATISTICS DIRECTORATE

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**Agenda Item 4 : The SBS/SME review and
proposed recommendations for discussion**

Mr. A. Lindner, OECD

AGENDA ITEM 4: THE SBS/SME REVIEW AND PROPOSED RECOMMENDATIONS FOR DISCUSSION AND DECISION

Andreas Lindner, Statistics Directorate, OECD

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Introduction

1. Structural Business Statistics (SBS), including those by size-classes (SMEs) and also longitudinal business databases, receive increasing attention nowadays because of their potential to answer questions such as: how much wealth is created in an activity? How much labor input is needed to create this wealth? How is this activity developing over time? To what extent is this activity participating in the growth of the economy? Which levels and trends of investment were realized in this activity?
2. Policy makers, national and international enterprises, and researchers use structural business statistics data to not only answer the above questions, but also to study the structural changes occurring within and across countries, growth patterns of individual industries and economies, the performance of individual industries within and across countries, and to make business/economic decisions. These data provide key information on what industries exist, where they are located, their relative size and importance across OECD countries, and how fast they are growing and changing.
3. The Structural Business Statistics program of OECD covers two databases, the Structural Statistics for Industry and Services (SSIS) and the Statistics by Enterprise Size Class (SEC). A third one, Business Demography, is in the very early stages of build-up (see agenda item 7(a)). Altogether, they allow analysing market structures and market dynamics.
4. The Structural Statistics for Industry and Services program has undergone significant changes following the Ministerial Mandate received and the data sharing agreement between Eurostat and OECD. These developments are described in more detail in a separate paper¹. In that agreement, Eurostat agreed to electronically supply data for the SSIS for all 19 European Union (EU) countries that are members of OECD. This agreement considerably increased the number of variables of OECDs SSIS and SEC data collections requested from Non-EU OECD countries in 2004 and in 2005.
5. The aim of this co-operation clearly is to reduce the response burden on countries by avoiding duplicate requests. For EU countries, this has been achieved. Although OECD is by far

¹ Lindner, Andreas, Davis, Tim, and Ahmad, Nadim (2005), "OECD Business Statistics", Paper prepared for information to the Meeting of the OECD Committee on Statistics, held on 15-16 June 2005 at the UNECE and presented to the Working Party on SMEs and Entrepreneurship meeting in Trento, Italy, 21-22 June 2005. Meeting Document OECD/CSTAT/RD(2005)3.

still not requesting as many variables as Eurostat does, the number of core variables collected has been more aligned between EU and Non-EU countries. It is important to underline that the data sharing with UNIDO permits a similar efficient model of data collection through OECD passing on to UNIDO all SBS/SME data for its 30 member countries.

6. The process of work and achievements has been reported in more detail to – inter alia- the Working Party on Statistics of the Committee on Industry and Business Environment^{2 3}.

7. This note will set out in the following the key aspects of data variables collected, sector coverage and harmonization issues. It reflects the state of thinking after several rounds of expert discussions, but this process is still ongoing and may need further refinements.

List of variables collected

8. The number of variables to be collected is largely determined by their usefulness and explanatory power for economic analysis. This choice is then limited by availability and ease or difficulty in obtaining the information without overburdening respondents. The modification of variables list is, therefore, a delicate task where pro's and con's need to be balanced. Too many modifications may also adversely affect computer programs written by respondents to answer the "standard" questionnaires. It has to be stated, though, that the OECD was explicitly asked in the Istanbul context to improve the quantitative underpinning of policy analysis of SMEs through more and better comparable data.

9. As can be seen from the variables list below, they have been expanded in two distinct areas: economic efficiency and use of capital and additional employment variables, useful for productivity analysis.

2. Lindner, Andreas (2004a), "Follow-Up to the Ministerial Meeting : Main conclusions from the Special Workshop on SME Statistics "Towards a more systematic statistical measurement of SME behaviour" and future work of OECD", Paper DSTI/EAS/IND/SWP(2004)3 presented to SWIC, 5 November 2004..

3. Lindner, Andreas (2004b), "Progress Report on the OECD Work on Structural Business Statistics carried out so far by the Task Force SBSNet", Paper DSTI/EAS/IND/SWP(2004)4 presented to SWIC of CIBE, 10 November 2004.

Table 1: SSIS and SEC Variables collected

Structural Statistics for Industries and Services (SSIS)	Statistics on Enterprises by Size Class (SEC)
Turnover	Turnover -SEC core variable
Production (producers' prices preferred)	(supplementary variable, if possible)
Production at factor costs	(supplementary variable, if possible)
Value added (factor costs preferred)	Value added (factor costs preferred) – SEC core variable
Value added at basic prices	(supplementary variable, if possible)
Gross operating surplus	(supplementary variable, if possible)
Total purchases of goods and services	(supplementary variable, if possible)
Change in stocks of goods and services	(supplementary variable, if possible)
Purchases of energy products (in value)	(supplementary variable, if possible)
Gross investment in tangible goods (GFCF)	(supplementary variable, if possible)
Investment in land	(supplementary variable, if possible)
Investment in existing buildings and structures	(supplementary variable, if possible)
Investment in machinery and equipment	(supplementary variable, if possible)
Sales of tangible investment goods	(supplementary variable, if possible)
Net investment in tangible goods (GFCS-SFCF)	(supplementary variable, if possible)
Total employment, number of persons engaged	Total employment, number of persons engaged –SEC core variable
Employment, number of salaried employees	(supplementary variable, if possible)
Employment, number of unpaid persons employed	(supplementary variable, if possible)
Employment, number of female employees	(supplementary variable, if possible)
Employment, number of employees in full time equivalent units	(supplementary variable, if possible)
Hours worked by employee	(supplementary variable, if possible)
Compensation of labor, all persons engaged	Compensation of labor, all persons engaged – SEC core variable
Compensation of labor, employees	(supplementary variable, if possible)
Wages and salaries, all persons engaged	(supplementary variable, if possible)
Wages and salaries, employees	(supplementary variable, if possible)
Employers' social contributions, all persons engaged	(supplementary variable, if possible)
Employers' social contributions, employees	(supplementary variable, if possible)
Number of enterprises	Number of enterprises – SEC core variable
Number of establishments	Number of establishments –SEC core variable

Note: Variables in *bold and italics* have been added to the SBS/SME programme.

Deleted variables:

10. The following variables have been deleted in the SBS/SME programme following expert advice and discussion:

- Number of operatives
- Imports and Exports
- Research and development expenditure and personnel.

For OECD there were two reasons for doing so: First, since November this year SME R&D variables are collected annually by the Directorate for Science, Technology and Industry through a joint OECD/Eurostat questionnaire. Second, Eurostat excludes since 2005 R&D from the SBS regulations. However, the suppression of the R&D variable from the SEC questionnaire in no way implies that this variable is considered unimportant. Not only the OECD SBS team, but also SBSNet experts and a SBS/SME consultant to OECD (Mrs C. Ambler) continue to consider R&D an important variable amongst SME variables.

11. **Question to experts:** Delegates are invited to give their opinion on the pertinence of the list of variables. Which are the key variables in their view, which are variable which eventually could be suppressed, which variables not included should be added?

Specific questions on variables:

Value added Census concept versus National Accounts concept: the former excludes both output and input of non-industrial services at establishment level (they are implicitly allocated at enterprise level). To “reconcile” both (there are other problems, like FISIM, which can only be accounted for at macro level) an integrated reporting system would be needed where an enterprise could allocate costs of non-industrial services to each establishment. Experts are invited to report on their national practice and to recommend best practice.

Value added valuation (see also details in annex 1: EU countries overwhelmingly report value added at factor costs while Non-EU countries report exclusively at basic prices to OECD. So the two valuation concepts co-exist. Experts are invited to comment as to their preferences.

Investment: Would a less detailed list focalizing on the total plus its key component suffice (for instance “total investment” and “of which: machinery and equipment”? Would other breakdowns be desirable?

R&D: What is the national practice regarding SMEs and R&D? Are R&D variables collected as part of SME surveys/samples or separately? What is done to ensure consistency of the survey population?

Size-classes

12. The target breakdown for size classes uses the number of persons engaged. Countries, which define size classes in any other way, are invited to provide the definition used in their response. In order to maintain comparability both internationally and domestically, experts are encouraged to follow the size-class breakdown below. The classes below conform to those used by Eurostat.

1-9 , 10-19 , 20-49 , 50-99 , 100-199 , 200-249 , 250-499 , 500-999 , 1000 and more , total

13. **Question to experts:** The above classes represent a feasible compromise which has been tested. The intention is not so much on standardizing what a SME would correspond to – this is a national matter, integrated into the administrative, tax and legal system. But it proposes common cut-off points. Given the considerable interest in micro enterprises/firms and job creation, particular in the services sector, would it make sense to separately identify

1, 2-4, 5-9 instead of 1-9?

Please note that this would correspond to earlier Eurostat practice until reference year 2001. It would be largely compatible with national practice in Non-EU countries of OECD and allow a finer breakdown of micro enterprises/firms (1-9 persons employed). This would also allow identifying female entrepreneurs (size-class 1).

Turnover

14. This key variable has been added to the SSIS data collection in line with the practice for SEC.

15. In line with Eurostat's practice at that time, the following additional turnover variables had been added to the 2004 data collection on an experimental basis:

Turnover from trading activities of purchase and resale

Turnover from intermediary activities (agents)

Turnover from service activities

Turnover from trading activities of purchase and resale and intermediary activities (agents)

Turnover from building

Turnover from civil engineering

16. Following the relatively poor response rate from Non-EU countries and the decision made by the EU this year to collect these variables in future every five years only, OECD has decided to exclude these from the 2005 data collection to ease the response burden.

17. **Question to experts:** do delegates agree with the Secretariat's proposal to only collect "turnover" to avoid possible confusion? In that case, and in line with the recommendations made

by SBSNet experts, the definition and classification practice regarding the above six turnover activities could be given in the methodological part of the questionnaire for reference (see below).

18. The following turnover definitions, in line with those from Eurostat, would be given:

- **TURNOVER FROM TRADING ACTIVITIES OF PURCHASE AND RESALE.** The part of turnover derived from the trading activities of purchase and resale of the unit. This corresponds to the sales of goods purchased by the unit in its own name and for its own account and resold in the same condition in which they were purchased, or after such labelling, packaging and wrapping as is usually practised in distributive trade enterprises. Resale may be broken down into:
 - Resale to other traders, professional users, etc. (wholesale sales);
 - Resale to households or small-scale users (retail sales).

These activities are classified in Category G of ISIC Rev.3 (except the maintenance and repair Groups 502, 504 and 526).

- **TURNOVER FROM INTERMEDIARY ACTIVITIES (AGENTS).** The part of turnover derived from the intermediary activity of the unit. This corresponds to any commissions on purchases and sales made in the name and on behalf of third parties, and similar activities. These activities are classified in group 511 of ISIC Rev.3.
- **TURNOVER FROM SERVICE ACTIVITIES.** Revenue from all services rendered (banking and insurance services, business and personal services).

This variable encompasses turnover from service activities resulting from a principal or secondary activity; some service activities may be performed by industrial units. These activities are classified to Categories H to K and M to O and also to the maintenance and repair Groups 502, 504 and 526 of Category G of ISIC Rev.3.

○ **TURNOVER FROM BUILDING/ CIVIL ENGINEERING**

The part of turnover derived from activities classified to Category F of ISIC Rev.3 and relating to constructions classified as buildings \ civil engineering in the classification of types of constructions.

Turnover derived from the sale of goods and services which have been subject to a subcontracting relationship are included. Turnover derived from the resale of goods and services purchased for resale in the same condition is excluded.

The choice of the statistical unit

19. Clarity about the statistical unit concept in use is of fundamental importance to permit cross country comparisons. OECD is facing the dilemma that its EU members conform (at least in wording) to the concept of “enterprise” while the majority of OECD’s Non – EU members uses the concept of the “establishment”. It is, hence, necessary to elucidate what the actual meaning of the concepts used is and how they relate to each other. Given its importance, a significant amount

of research and analysis has been carried out during recent years by international⁴ and national bodies to find practical ways to clarify, document and to improve the present situation.

20. The following remarks review and summarise the discussion and analysis carried out so far at OECD (meeting documents, review of variables, SBSNet, etc.) and propose concrete solutions for discussion and adoption.

a) Establishments:

21. Definition OECD:

Economic unit that engages, under a single ownership or control, in one or predominately one, kind of activity at a single location; for example a workshop or factory.

22. Definition Eurostat:

Eurostat recognizes eight statistical units. Shown below are the relationships among the types of statistical units recognized by Eurostat:

- *Units with one or more activities and one or more locations*
- *Enterprise*
- *Institutional unit*
 - *Units with one or more activities and a single location*
 - *Local unit*
 - *Units with one single activity and one or more locations*
 - *Kind of activity unit*
 - *Unit of homogeneous production*
 - *Units with one single activity and one single location*
 - *Local kind of activity unit*
 - *Local unit of homogeneous production*

23. According to the Eurostat Concepts and Definitions Database, the local kind of activity unit corresponds to the operational definition of the establishment. That definition is “an enterprise, or part of an enterprise, that is situated in a single location and in which only a single

4. In particular the *International Roundtable Meetings on Business Frames* helped to advance research into the questions of statistical units, including those of enterprise groups.

(non-ancillary) productive activity is carried out or in which the principal productive activity accounts for most of the value added.”

24. In the SSIS, countries are asked to report both the number of establishments and number of enterprises by 4-digit ISIC industry. In the SEC, countries also are asked to report number of establishments and number of enterprises.

25. Twenty-one of the 30 OECD countries reported or report information on number of establishments in 1999 (that is, before the coming into effect of the MoU with Eurostat). These included 12 EU countries - Denmark, Finland, Germany, Greece, Hungary, Ireland, Italy, Luxembourg, Poland, Spain, Sweden and the United Kingdom - and nine non-EU countries – Australia, Canada, Iceland, Japan, Korea, New Zealand, Norway, Turkey, and the United States. While Mexico did not report the number of establishments in the SSIS, it noted that the establishment is the unit on which information has been requested for the Economic Censuses from which the data reported originate.

26. A look at the reporting by countries in the SEC shows that EU countries are not currently reporting data on number of establishments. On the other hand for non-EU countries, Japan reported number of establishments, Korea, Mexico, and Australia.

27. While the majority of countries are reporting number of establishments in the SSIS, it is useful to review the official OECD definition of the establishment versus the definition used by the non-EU countries and Eurostat to determine any differences. That review reveals the following:

28. The official definition encompasses three main points: single ownership, predominately one kind of activity, and single location. Japan, Mexico and the United States’ official definitions include two of the three elements, individual sites or single physical location and single ownership (single ownership is assumed to be part of the definition for all countries even if not explicitly stated). Korea’s definition matches the official definition in all three elements. While not explicitly stated, it is believed that Mexico’s definition of an establishment is also a single physical location. Both Australia and New Zealand mention geography (Australia – within a single state or territory; New Zealand – geographic units). The Canadian definition for an establishment does not include any reference to location. Norway notes that an establishment is defined as a local kind-of-activity unit. It corresponds to a functional unit which at a single physical location is engaged mainly in a specific activity group of the Norwegian Standard Industrial Classification.

29. The European Union’s local kind-of-activity unit, defined as units with one single activity and one single location, most closely matches the establishment definition used by the SSIS and SEC. However, in its structural business statistics program, the enterprise, not the local kind-of-activity unit, is the statistical unit to be used by the EU countries to collect and report data to Eurostat

b) Enterprise

30. Definition OECD:

A legal entity possessing the right to conduct business on its own; for example to enter into contract, own property, incur liabilities for debts, and establish bank accounts. It may consist of one or more local units or establishments corresponding to production units situated in a geographically separate place and in which one or more persons work for the enterprise to which they belong.

31. Definition Eurostat:

The smallest combination of legal units that is an organizational unit producing goods or services, which benefits from a certain degree of autonomy in decision-making, especially for the allocation of its current resources. An enterprise carries out one or more activities at one or more locations. An enterprise may be a sole legal unit.

32. In the SSIS, 17 of the 19 EU countries reported number of enterprises in the most recent publication. Only Greece and Ireland did not.

33. Non-EU countries reporting number of enterprises in the SSIS are Australia, Iceland, New Zealand, Norway, and the United States (see the discussion below on U.S. reporting). These countries also report number of establishments.

34. In the SEC, the basis for the most recent reporting for non-EU countries is as follows:

- Establishment: Australia, Japan, Korea, and Turkey
- Enterprise: Canada, Iceland, New Zealand, Norway, Switzerland, United States
- Both: Mexico

35. The result of the agreement between Eurostat and the OECD for this reporting arrangement ensures that all 19 EU (OECD) countries are reporting based on Eurostat definitions. For the variables establishment and enterprise, it means that there will no longer be information available for number of establishments, but only for number of enterprises, the definition of which is the Eurostat definition shown above.

36. While it is interesting to note which countries are reporting data for number of establishments and number of enterprises, of much more importance, is the actual definition of the unit on which the information reported is collected. “The benefits of internationally comparable statistics cannot be realized unless standardization is applied to both definitions and classifications of transactors as well as transactions. If two or more statistical collections cover the same industrial sector, comparison between data cannot be made unless the object of the comparison applies to the same units. The statistical unit serves as a tool to measure in an unduplicated and yet exhaustive fashion several aspects of the economy.”⁵

37. EU countries are using the enterprise as defined by Eurostat as the unit for which structural business statistics are collected. Canada, Japan, Korea, Mexico, and the United States each use the establishment, at least for the SSIS. Norway’s definition of an establishment is noted above.

⁵ International Standard Industrial Classification of All Economic Activities, United Nations, Series M No. 4, Rev.3.

Australia indicates it uses both enterprises (“management units”) and establishments depending on the information requested. The definition for enterprise used by Australia, Iceland, and New Zealand for reporting on the SSIS is not available, but it would be useful to have and compare these definitions with those of Canada and the U.S (see below) and Eurostat and the OECD. Norway defines an enterprise as an organizational unit comprising all economic activities engaged in by one and the same owner. Hence an enterprise is a legal entity covering one or more productive units (local KAU). We have noted above, the various definitions used for establishments by the OECD countries. Let us now turn to the definitions used for enterprises.

38. The term enterprise does not have the same meaning in Europe and North America. The Eurostat definition is shown above. Cited below are the definitions used in Canada and the United States in their domestic statistics.

39. **Canada** recognizes a four-level hierarchy of business units: location, establishment, company, and enterprise. Following is the definition for each:

- Location: A producing unit at a single geographical location at which or from which economic activity is conducted and for which, at a minimum, employment data are available.⁶
- Establishment: The most homogeneous unit of production for which the business maintains accounting records from which it is possible to assemble all the data elements required to compile the full structure of the gross value of production (total sales or shipments, and inventories), the cost of materials and services, and labor and capital used in production.⁷
- Company: The lowest level organizational unit for which income and expenditure accounts and balance sheets are maintained from which operating profit and the rate of return on capital can be derived. An enterprise may consist of one or more companies.⁸
- Enterprise: A business unit that directs and controls the allocation of resources relating to its operations, and for which consolidated financial and balance sheet accounts are maintained. The enterprise corresponds to an institutional unit engaged in economic activity as defined in the System of National Accounts 1993.⁹

40. From these definitions, it seems that the Canadian establishment definition most nearly matches the Eurostat enterprise definition. The Canadian location definition most closely matches the OECD establishment definition and the Eurostat local kind-of-activity unit. The Canadian use of the term enterprise seems to be much broader than the Eurostat term enterprise.

⁶ North American Industry Classification System, (NAICS) Canada, 2002.

⁷ Ibid

⁸ Ibid

⁹ Ibid

41. In the U.S., only one unit is officially recognized in its classification manual, NAICS, United States 2002. That is the establishment, which is defined as follows:

- Establishment: Smallest operating entity for which records provide information on the cost of resources materials, labor, and capital employed to produce the units of output... The establishment, in NAICS United States, is generally a single physical location, where business is conducted or where services or industrial operations are performed.¹⁰

42. However, two other organizational units are recognized, described, and defined by the U.S. Census Bureau in its data collection and publishing activities. These are the firm and the enterprise, which are defined below:

- Firm: A business organization consisting of one or more domestic establishments in the same state and industry that were specified under common ownership or control. The firm and the establishment are the same for single-establishment firms. For each multi-establishment firm, establishments in the same industry within a state are counted as one firm – the firm employment and annual payroll are summed from the associated establishments.¹¹
- Enterprise: A business organization consisting of one or more domestic establishments that were specified under common control or ownership. The enterprise and the establishment are the same for single-establishment firms.¹²

43. To further clarify these definitions, the firm is a derived unit representing all establishments of a multi-establishment enterprise that are operating in the same industry and in the same state. The enterprise, on the other hand, consists of all of the establishments owned or controlled by a company, regardless of the industry or state in which they operate. For data purposes, an enterprise with establishments in more than one state would be counted as a firm in each state in which it operates an establishment, but is also counted as only one enterprise in national all-industry tabulations. Employment size for the firm is determined based on the employment for the enterprise.

44. From these definitions, it appears that the U.S. definition for establishment closely matches the OECD's establishment. The firm definition used in the U.S. while, a higher aggregate level within the company is still location-based and does not match up well with Eurostat's enterprise concept. In addition, the firm is a derived unit, that is, no data are collected for it. Rather, the unit is derived from the business register's list of establishments; employment and payroll data are then derived for the firm. The Canadian and U.S. definitions for enterprise seem to match up well, but do not match the OECD or Eurostat definition of enterprise.

45. Summary:

¹⁰ North American Industry Classification System, (NAICS) United States, 2002.

¹¹ U.S. Census Bureau, "Statistics of U.S. Businesses, Tabulations by Enterprise Size, Introductory Text."

¹² Ibid

- The enterprise as defined by Eurostat will be the unit on which the data are based. Therefore, the data for the 19 EU countries as reported to OECD should – in theory at least – be comparable. Eurostat reports data for enterprises for each EU country.
- For the SSIS, for most non-EU countries (namely, Australia, Canada, Japan, Korea, Mexico, Turkey, and the United States), the establishment is the unit on which most of the data are based. However, the definition of establishment varies among these countries with Japan, Korea, Mexico, and the United States' definitions based generally on single physical location. Australia's definition references units within a single state or territory. Canada makes no reference to location and in fact, the establishment definition more nearly matches Eurostat's definition of enterprise.
- For the SEC, all EU countries are using the enterprise as the basis for the data. The reporting is more mixed for the SEC for non-EU countries. Australia, Japan, Korea, and Turkey use the establishment while the rest use the enterprise (as defined by each of those countries).

46. The use of the terms establishment and enterprise is problematic. Canada and the United States' definitions of enterprise are very different from the European definition. The definitions for establishment for Canada and the United States are quite different. Canada's establishment links somewhat to Eurostat's enterprise and the U.S. establishment links to Eurostat's local kind-of-activity unit and Canada's location unit.

47. Japan, Korea, Mexico, and the United States have similar definitions for establishment. Japan and Korea report for establishments in both the SSIS and the SEC. The U.S. reports for establishments in the SSIS and for enterprises (firms, as defined by the U.S.) in the SEC.

48. These definitional questions are quite confusing for the seasoned international data user, but quite impossible to understand for the data user not schooled in statistical terminology. Enterprise means something quite different for a U.S. or Canadian data user versus a user versed in Eurostat data. Unless each country has provided detailed explanations of differences in the official definition and the definition used by the country **and the data user actually reads the explanations**, users may be comparing apples and oranges without realizing it.

49. And as noted earlier, even more serious than the confusion among data users is the effect that the different units used for data collection have on the comparability of the data across countries. While it probably is not possible to measure such effects entirely, it is possible to present definitions that are as consistent as possible and alert data users in a systematic manner to any and all differences.

50. It is not reasonable to expect individual countries to change their definitions that have been in use for many years. For example, in the U.S., the establishment and enterprise definitions date back to the 1810 Census of Manufactures; the Business Register is built on these definitions; and lengthy time series are established.

51. What, then, can and should be done to address this issue? Before answering, it is useful to report on the outcome of the discussions on statistical units at the **Expert Meeting on Industrial Statistics** held 6 weeks ago at UNSD¹³:

52. Statistical units (draft recommendations from the Expert Group Meeting on Industrial Statistics, UNSD, 19-23 September 2005):

“The current conceptual definition of the establishment should be retained¹⁴. However, for practical reasons, flexibility should be available to countries to adopt the options that their statistical system supports. Some of the options available are:

a) When two activities or more are carried on at a single location under a single ownership, all activities generally are grouped together as a single establishment and classified on the basis of its predominant activity unless there exist separate cost accounts (which includes intermediate consumption, compensation of employees, consumption of fixed capital) on each activity.

b) When the same activities are carried out at different locations but only one cost account is kept, they can be treated as one establishment unless activities cross into the border of another geographical territory on which statistical agency is required to collect data. In such a case, some simple allocation rule based on employment may be adopted.

53. Both the establishment and the related enterprise should be used as statistical units with cross references to ensure the integration of the statistical system of economic activities and institutional sectors according to the 1993 SNA. However, it was reiterated that in practice only a relatively small number of multi-establishment enterprises exist even in developed countries.”

54. Question to Experts: Given the differences in understanding and naming, the apparent interchangeability of enterprise and establishment concepts, should the terms establishment and enterprise be replaced with a more generic term such as reporting unit, statistical unit, or observation unit?¹⁵ The country would then be asked to explain the unit used for collecting the data and provide the number of “statistical” units for each industry. The OECD could provide a standard framework of elements to be checked and give a preferred definition for the “statistical” unit. By using a more generic term, data users would be more likely to reference the definitions used by both OECD and the countries and thus better understand differences in the data due to differences in the “statistical” unit used.

Another argument in support of the above would be the necessity to cover enterprise groups, including multinational enterprises to be able to reflect the global process of production and the provision of services.

13. Expert Group Meeting on Industrial Statistics, New York, 19-23 September 2005, United Nations, Department of Economic and Social Affairs, Statistics Division

14. Underlining by the author of this paper.

¹⁵ At Eurostat, the observation unit represents an identifiable entity, about which data can be obtained. During the collection of data, this is the unit for which data is recorded and may or may not be, the same as the reporting unit. The reporting unit is the unit that reports to the survey authority.

Services Sector coverage

55. While the “industrial” part of ISIC (Categories: C to F) is fairly well covered in statistics, it is much less so for the “services” part of the economy. When OECD was engaging with Eurostat in the data exchange agreement, it received significantly less data for service activities for EU countries than before. The reason for this was the relatively slow extension of regulations to cover these activities, This is luckily about to change now (see Meeting Document 13 “Development of Services Sector Statistics – at a crossroad?”).

56. The activities in question are:

Category	ISIC Description
G	Wholesale and Retail Trade, Repair of Motor Vehicles, Motorcycles and Personal and Household Goods
H	Hotels and Restaurants
I	Transport, Storage and Communications
J	Financial Intermediation
K	Real Estate, Renting and Business Activities
M	Education
N	Health and Social Work
O	Other Community, Social and Personal Activities

57. Non-goods producing industries are growing and changing rapidly. OECD countries’ economies have changed from economies based on manufacturing to those whose service industries now provide the majority of jobs. A look at the U.S. economy at three different points in time illustrates the phenomenon.

	Percent of Total Employment		
	1953	1982	2002
Goods producing industries ¹⁶	51	34	21
Non-goods producing industries	49	66	79

58. With these changes comes a growing need to better measure the non-goods producing industries (services industries) of economies. Over the past several years, many countries have focused efforts on improving and expanding service sector statistics. The Voorburg Group, a United Nations City Group, was created almost 20 year ago to “address issues related to the production of service statistics, including service product outputs and inputs, the estimation of the real product of service activities, price indices of service products and industries, and their implications for product and industry classifications (Central Product Classification, CPC and the

¹⁶ Goods producing industries are defined as follows: ISIC categories A, Agriculture, Hunting and Forestry; B, Fishing; C, Mining and Quarrying; D, Manufacturing; E, Electricity, Gas and Water Supply; and F, Construction.

International Standard Classifications of All Economic Activities, ISIC).¹⁷ This international group was formed specifically to look at measuring the activity of service industries.

59. But what is a service? The Voorburg Group and other industry experts have expended much effort over the years discussing the definition of services. The definition proposed by T.P. Hill (and discussed at Voorburg) gives an approximate answer. Hill defined a service as “a change in the condition of a person, or of a good belonging to some economic unit, which is brought about as the result of the activity of some other economic unit.”¹⁸

60. Likewise, there is a great deal of literature detailing the proposed boundary between goods and non-goods producing industries. The Economic Classification Policy Committee (ECPC) of the United States recognized this work but noted that “it is probably true that too much effort has been expended on defining the boundary of goods and services, and little effort on measuring, analyzing, enumerating, and classifying the services that will clearly fall within the boundary no matter where its precise definition.”¹⁹

61. Therefore, this paper will not explore the theoretical issues related to “what is a service?” but rather address measurement issues, for Non-EU OECD countries for ISIC Categories G - O, excluding L. The following section is divided into two parts. The first part focuses on the wholesale and retail trade industries (ISIC Tabulation Category G pt., Wholesale and Retail Trade). The remainder of Category G, Repair of Motor Vehicles, Motorcycles, and Personal and Household Goods, and Tabulation Categories H – O, excluding L are covered in the second part.

Wholesale and Retail Trade Industries

62. Measuring the economic activity of the wholesale and retail trade industries is easier than other service sectors because wholesalers and retailers are buying and selling a tangible good. It is easy to understand what they are doing because the buyers of the product(s) have a tangible good in their possession once the transaction is completed, i.e., a book, automobile, computer, etc. In addition to the fact that one has visual evidence of the transaction, statistical agencies are experienced in collecting data for these industries. In most countries, wholesale and retail sales data are treated as economic indicators and the data series relating to these industries are long and well established.

63. Currently, the SSIS and the SEC request the same data variables for the retail and wholesale trade industries as that requested for goods producing industries. A detailed look at the information available from individual (Non EU) countries helped to determine the types of variables to be requested for the SSIS and SEC for wholesale and retail trade industries.

¹⁷ United Nations Statistics Division web site, “Voorburg Group on Service Statistics.”

¹⁸ Hill, T.P., “On Goods and Services,” *The Review of Income and Wealth*, Series 23, No. 4, December 1977, pp. 316.

¹⁹ Economic Classification Policy Committee, Issues Paper No. 6, Services Classifications, March 1994.

64. In summary, wholesale and retail trade data are important indicators of economic activity and most countries have a long history of providing these data on a current basis. The most collected data items for the non-EU countries studied are sales, gross margin, and inventories. Purchases and cost of goods sold are also generally available.

65. Turnover or sales should be reported in lieu of production for wholesale and retail trade. It is clear that the majority of non-EU countries are now reporting in this manner. It appears that these data are also available for EU countries. To ensure more consistent reporting across OECD countries and a more meaningful measure for wholesale/retail economic activity OECD has added turnover to the SSIS collection.

66. Question to experts:

Should OECD divide its annual questionnaire into sector-specific parts?

Should gross margin and cost of goods sold be added as variables for wholesale and retail trade? These are important measures for the wholesale/retail trade industries and it appears that the data are available from most, if not all OECD countries.

Are there other variables that should be considered for wholesale and retail trade? What about inventories?

Services (except Wholesale and Retail Trade)

67. The second part of this section covers “services” (except wholesale and retail trade), defined as ISIC Tabulation Categories G pt. – O, excluding L. These categories encompass the following activities:

Category	ISIC description
G pt.	Repair of Motor Vehicles, Motorcycles and Personal and Household Goods
H	Hotels and Restaurants
I	Transport, Storage and Communications
J	Financial Intermediation
K	Real Estate, Renting and Business Activities
M	Education
N	Health and Social Work
O	Other Community, Social and Personal Service Activities

68. The industries included in these categories range from hospitals to banks to trucking companies to web search portals. These industries have little or nothing in common except that they are classified as “services,” and provide “useful labor that does not produce a tangible commodity.”²⁰ Therefore, why should they be considered together?

²⁰ Webster’s Ninth New Collegiate Dictionary, Merriam-Webster Inc., Publishers, Springfield, Massachusetts, U.S.A.

69. A look at the statistical programs of the non-EU countries shows that the same measure of output is used for these industries, that generally being revenue. The three North American countries, Canada, Mexico, and the United States have spent the past four years working to identify the products (output) of service industries and how to measure those products (output). As a result of this effort, the North American Product Classification System (NAPCS) is taking shape.²¹ The three countries' statistical offices are adding these products to their services surveys as the NAICS industries' products are identified and the first in-depth look at the products (output) of service industries in North America is appearing. As noted above, the three countries are using revenue generated as a result of selling these products to measure the output of service industries.

70. In summary, services remain an amorphous and difficult concept. Identifying the output of service industries and assigning a value to that output is not easy. Canada, Mexico, and the United States have already expended almost four years of effort on the NAPCS project (whose purpose is to identify service products), which is in its third and final phase. Once it is completed NAPCS will present a detailed and comprehensive list of service products (outputs) that can be measured. Revenue generated is the variable used to measure these service products.

71. It seems reasonable that OECD might want to present a different set of data variables to measure service industries than that currently used to measure both manufacturing and service industries.

72. Questions to experts:

1. Should revenue or some form of turnover be collected as the output measure for service industries in lieu of production?
2. For some industries, especially non-profit industries, expenses may be a proxy for revenue. Should operating expenses or some other measure of expenses be added as a data variable?
3. Should a distinction be made in the questionnaire between market activities and non-market activities?
4. Hours worked may be a difficult variable to collect for services. Many countries already do not report this variable for services. Should the OECD continue to collect this variable for services?
5. Are there other measures of service industry activity that should be considered?

Concluding remarks

73. This paper reviewed the main aspects of change introduced to OECDs SBS/SME statistics programme following discussion and advice from experts.

²¹ See <http://www.census.gov/eos/www/napcs/napcs.htm>

74. This stocktaking revealed that despite noticeable improvements and changes, there is still scope for going further. A particular challenge identified is the need to document extensively through “metadata” differences in national practice plus the necessity to provide a rough estimate by OECD as to how much identified differences could amount to in approximate terms.

75. The SBS/SME programme of OECD should be seen as part of an integrated system of economic statistics. In such a system, linkages are specified. For instance, the differences of census-based value added concept versus (more aggregated) national accounts-based value added.

76. It also needs to set out clearly the purpose, the objective of why which statistics are collected. This largely determines the scope and detail of data. For instance, annual SBS data is unique in its degree of detail (ISIC Class level 4), but unsuitable for time series analysis. So, the fine level of detail is responding to clearly stated needs from analysts.

77. For decomposition by Size-class (SME-type data), much less variable detail can be reasonably collected. What matters here are the availability of key variables without overburdening respondents. And this claim necessitates linkages to other sources of data, such as administrative registers and/or sampling.

78. Similarly, business demography data is designed answering questions on firm dynamics, the process of the creative destruction (Schumpeter), the process of creation, growth and death. These questions do not necessitate at all the detail of all SBS variables, but different ones.

Annex 1: Definition of variables (and their relation to others)

79. TURNOVER

=

80. Turnover comprises the totals invoiced by the observation unit during the reference period, and this corresponds to market sales of goods and services supplied to third parties. Turnover includes all duties and taxes on the goods or services invoiced by the unit with the exception of the VAT invoiced by the unit vis-à-vis its customer and other similar deductible taxes directly linked to turnover. It also includes all other charges (transport, packaging, etc.) passed on to the customer, even if these charges are listed separately in the invoice. Reductions in prices, rebates and discounts as well as the value of returned packing must be deducted. Income classified as other operating income, financial income and extraordinary income in company accounts is excluded from turnover. Operating subsidies received from public authorities or the institutions of the European Union or other supranational authorities are excluded.

81. PRODUCTION

The production value should reflect the amount actually produced by the unit. The valuation can be made according to any of the following four valuations: factor costs, basic prices, market prices and producer's prices according to the treatment applied to indirect taxes and subsidies. The formulation described below reflects production at producer prices.

$$\begin{aligned} &= \\ &\text{TURNOVER} \\ &+ \\ &\text{Net change in stocks of finished products and work in progress produced by the unit} \\ &+ \\ &\text{Net change in stocks of goods and services purchased for resale} \\ &- \\ &\text{Purchases of goods and services purchased for resale} \\ &+ \\ &\text{Capitalised Production} \end{aligned}$$

82. The value of production corresponds to the sum of the value of all finished products (including intermediary products sold in the same condition as received), of the net change of the value of work in progress and stocks of goods to be shipped in the same condition as received, of the variation of stocks of finished products and of those in progress, of the value of goods or services rendered to others, of the value of goods shipped in the same condition as received less the amount paid for these goods and of the value of fixed assets produced by the unit for its own use.

83. The valuation of production data can be made according to any of the following four valuations: factor costs, basic prices, market prices and producers' prices, according to the treatment applied to indirect taxes and subsidies. Please see below for a schematic representation.

84. **VALUE ADDED**

The formulation for value-added shown below, reflects value added at factor costs. Value-added at basic prices can be easily derived from this by not subtracting the final item (taxes and subsidies on production).

$$\begin{aligned}
 &= \\
 &\text{TURNOVER} \\
 &+ \\
 &\text{Capitalised Production} \\
 &+ \\
 &\text{Net change in stocks} \\
 &\text{- Purchases of goods and services (the value of all goods and services purchased during the} \\
 &\text{accounting period for resale or (intermediate) consumption in the production process – these} \\
 &\text{values should reflect the actual price paid after deducting for deductible items such as VAT)} \\
 &- \\
 &\text{Taxes and Subsidies linked to production} \\
 &\text{-----}
 \end{aligned}$$

85. In very simple terms value added corresponds to the difference between production and any intermediate consumption; where the definition, used here, for intermediate consumption varies depending on the valuation used for value-added. Alternatively value-added can be described as the sum of the gross operating surplus and compensation of employees. The valuation of value added can be made according to any of the following four valuations: factor costs, basic prices, market prices and producers' prices, according to the treatment applied to indirect taxes and subsidies (see below).

86. In order to maintain consistency with Eurostat, the OECD preference is for value-added to be valued at factor costs prices, where possible, but countries are encouraged to provide information at basic prices if these are also available. Value added is calculated «gross»; in other words, gross fixed capital formation (depreciation) should not be deducted...

87. **VALUATION AT FACTOR COSTS, BASIC PRICES, PRODUCERS' PRICES AND MARKET PRICES**

Data transmissions using valuations not in line with the OECD preferences described above are accepted, but it is essential that countries explain the exact valuation principles used to avoid any confusion.

The following table illustrates the concepts of factor costs, basic prices, producers' prices and market prices and illustrates the relationships between these valuations.

Relationships between the various valuations for Production and Value Added

Value at Factor costs

+	Other taxes <i>on production</i> ¹
-	Other subsidies <i>on production</i> ¹
=	Value at Basic prices
<hr/>	
+	Taxes <i>on products</i> ² (<i>not including imports and VAT</i>)
-	Subsidies <i>on products</i> ²
=	Value at Producers' prices
<hr/>	
+	Taxes <i>on imports</i>
-	Subsidies <i>on imports</i>
+	Trade and transport costs
+	Non-deductible VAT
=	Value at Market prices ³

1. Other taxes *on production* consist mainly of taxes on the ownership or use of land, buildings or other assets used in production, or on the labour employed or compensation of employees paid.

Other Subsidies *on production* consist of subsidies, except subsidies on products, which resident enterprises may receive as a consequence of engaging in production (e.g., subsidies on payroll or workforce, or subsidies to reduce pollution).

2. Taxes *on products*, exclusive of VAT, import and export taxes, consist of taxes on goods and services that become payable as a result of the production, sale, transfer, leasing or delivery of those goods or services, or as a result of their use for own consumption or own capital formation.

Subsidies *on products* correspond to subsidies payable per unit of a good or service produced, either as a specific amount of money per unit of quantity of a good or service, or as a specified percentage of the price per unit; it may also be calculated as the difference between a specified target price and the market price actually paid by a buyer.

3. Market prices are those which purchasers pay for the goods and services they acquire or use, excluding deductible VAT.

The term is usually used in the context of aggregates such as GDP whereas Purchaser Prices refer to the individual transactions.

88. GROSS OPERATING SURPLUS

The formulation below for gross operating surplus is consistent with the valuation used for value-added.

$$\begin{array}{r}
 = \\
 \text{VALUE ADDED} \\
 - \\
 \text{COMPENSATION OF LABOUR} \\
 \text{-----}
 \end{array}$$

89. Gross operating surplus is the surplus generated by operating activities after the labour factor input has been recompensed. It can be calculated from the value added at factor cost less the personnel costs. It is the balance available to the unit which allows it to recompense the providers of own funds and debt, to pay taxes and eventually to finance all or a part of its

investment. Income and expenditure classified as financial or extraordinary in company accounts is excluded from gross operating surplus.

90. TOTAL PURCHASES OF GOODS AND SERVICES

=

Value of all goods and services purchased for resale or consumption in the reference period (this should not include purchases of capital goods)

91. Purchases of goods and services include the value of all goods and services purchased during the accounting period for resale or consumption in the production process, excluding purchases of capital goods to be used in the production process, which are registered separately as gross fixed capital formation. The goods and services concerned may be either resold with or without further transformation, completely used up in the production process or, recorded as increases to stocks/inventories...

92. Included in these purchases are the materials that enter directly into the goods produced (raw materials, intermediary products, components), plus non-capitalised small tools and equipment. Also included is the value of ancillary materials (lubricants, water, packaging, maintenance and repair materials, and office materials) as well as energy products. Included in this variable are the purchases of materials made for the production of capital goods by the unit.

93. Services paid for during the reference period are also included regardless of whether they are industrial or non-industrial. In this figure are payments for all work carried out by third parties on behalf of the unit including current repairs and maintenance, installation work and technical studies. Amounts paid for the installation of capital goods and the value of capitalised goods are excluded.

94. Also included are payments for non-industrial services such as legal and accountancy fees, patents and licence fees (where they are not capitalised), insurance premiums, costs of meetings of shareholders and governing bodies, contributions to business and professional associations, postal, telephone, electronic communication, telegraph and fax charges, transport services for goods and personnel, advertising costs, commissions (where they are not included in wages and salaries), rents, bank charges (excluding interest payments) and all other business services provided by third parties. Included are services which are transformed and capitalised by the unit as capitalised production. Expenditure classified as financial expenditure or extraordinary expenditure in company accounts is excluded from the total purchases of goods and services.

95. Purchases of goods and services are valued at the purchase price excluding deductible VAT and other deductible taxes linked directly to turnover. All other taxes and duties on the products are therefore not deducted from the valuation of the purchases of goods and services. The treatment of taxes on production is not relevant in the valuation of these purchases.

96. CHANGE IN STOCKS OF GOODS AND SERVICES

=

Change in stocks (+/-) of

-- Finished goods

-- Work in progress

-- Goods and services purchased for resale in the same condition as received

-- Raw materials and consumables

97. Change in stocks (positive or negative) is the difference between the value of the stocks at the end and the beginning of the reference period. Change in stocks may be measured by the value of entries into stocks less the value of withdrawals and the value of any recurrent losses of goods held in stocks. Stocks are recorded at purchaser's prices exclusive of VAT if they are purchased from another unit, otherwise at production cost.

98. Among stocks (and the change in stocks), the following breakdown can be made:

- stocks of finished goods
- stocks of work in progress
- stocks of goods and services purchased for resale in the same condition as received,
- stocks of raw materials and consumables.

99. Included are the stocks of finished products or in the course of production, which have been produced by the unit and which have not yet been sold. These products include work in progress belonging to the unit, even if the products in question are in the possession of third parties. Equally, products held by the unit which belong to third parties are excluded.

100. Included are the stocks of goods and services bought for the sole purpose of reselling them in the same condition. Excluded are stocks of goods and services which are provided to third parties on a commission basis. Products purchased for resale and stocked by services enterprises can include goods (industrial equipment in the case of "turnkey" engineering contracts, or buildings in the case of property development, etc.) as well as services (rights to use advertising space, transport, accommodation, etc.).

101. When services are stocked the services concerned are the output from service activities, rights to use pre-determined services, or physical supports for services. Included also are the stocks of raw and ancillary materials, intermediary products, components, energy, non-capitalised small tools and services which belong to the unit.

102. **PURCHASES OF ENERGY PRODUCTS (in value)**

Purchases of all energy products during the reference period should be included in this variable only if they are purchased to be used as fuel. Energy products purchased as a raw material or for resale without transformation should be excluded.

103. **INVESTMENT**

This reflects gross fixed capital formation in tangible fixed assets (where tangible fixed assets include: land, buildings and structures, plant and machinery equipment) and, so, the values are gross of fixed capital formation (depreciation).

$$\begin{array}{r} = \\ \text{Tangible Fixed assets purchased or produced} \\ + \\ \text{Major additions, alterations, improvements and renovations which prolong the service life or} \\ \text{increase productivity of existing assets} \\ \text{-----} \end{array}$$

104. *Investment* refers to the value of fixed assets, purchased or constructed by the statistical unit's own labour force for its own use, during the reference year. The fixed assets covered are those (whether new or used) with a productive life of one year or more. Major additions, alterations and improvements to existing assets which extend their normal economic life or raise their productivity are also included. New fixed assets include all those that have not been previously used in the country. Thus, newly imported fixed assets are considered new irrespective of whether or not they have been used before import. Used fixed assets include all those that have been previously used in the country.

105. Transactions in tangible fixed assets include land, buildings, other construction and land improvements, transport equipment, machinery and other equipment. Transactions in intangible fixed assets include investment in non-financial produced fixed assets such as mineral exploration, computer software and entertainment, literary or artistic originals intended to be used for more than one year.

106. Assets acquired from others are valued at purchasers' prices, which cover all costs directly connected with the acquisition and installation of the items for use. In principal, assets produced on own-account are also valued in this manner. However, it may frequently be necessary to value such own account production at explicit cost, including any imputations that may be required in respect of own-account labour. Sales of assets should be valued at the actual amounts realised rather than at book values.

a) INVESTMENT IN LAND

107. Included under this variable, in addition to land, are underground deposits, forests and inland waters. Where land is purchased with existing buildings and the value of the two components is not separable, the total is recorded under this heading if it is estimated that the value of the land exceeds the value of the existing buildings. If the existing buildings are estimated to be of greater value than the land, the total is recorded under gross *investment in existing buildings and structures*. Also included here is land merely improved by levelling, the laying of pipes or by the provision of paths or roads. Land acquired through (business) demographic events such as mergers, take-overs, break-ups, split-off is excluded.

b) INVESTMENT IN EXISTING BUILDINGS AND STRUCTURES

108. The investment includes the cost of the existing buildings and structures which have been acquired during the reference period. Where land is purchased with existing buildings and the value of the two components is not separable, the total is recorded under this heading if it is estimated that the value of the existing buildings exceeds the value of the land. If the land is estimated to be of greater value than the existing buildings, the total is recorded under gross *investment in land*. Purchases of new buildings that have never been used are excluded. Existing buildings and structures acquired through restructurings (such as mergers, take-overs, break-ups, split-off) are excluded.

c). INVESTMENT IN MACHINERY AND EQUIPMENT

109. The value of investment in machinery and equipment corresponds to the value of transport equipment, industrial machinery and equipment, office machinery, equipment and furniture, professional instruments and equipment, acquired new or second hand or manufactured by the establishment itself with its own labour force and for its own use and having a life expectancy of more than one year.

110. It also includes the cost of major repairs that are carried out by the enterprise itself (extensions, alterations, improvements and other repairs which prolong the life or increase the productivity of existing fixed assets).

d) SALES OF TANGIBLE INVESTMENT GOODS

111. *Sales of tangible goods* include the value of existing tangible capital goods, sold to third parties. Sales of tangible capital goods are valued at the price actually received (excluding VAT), and not at book value, after deducting any costs of ownership transfer incurred by the seller. Value adjustments and disposals other than by sale are excluded.

e) NET INVESTMENT IN TANGIBLE ASSETS

112. Net investment in tangible assets reflects the difference between the acquisition of tangible assets (described in 9 above) and the sales of tangible assets (described in 13 above). It is therefore recorded gross of consumption of fixed capital (depreciation). In other words, no adjustments should be made to exclude consumption of fixed capital.

113. TOTAL EMPLOYMENT, NUMBER OF PERSONS ENGAGED

=

Total number of persons who have worked in or for a concerned unit and who have received compensation for their work (in cash or kind) during the reference year

including

- part-time workers and seasonal workers on the payroll
- persons on short-term leave (sick leave, annual leave, vacation)
- persons on strike

- persons working outside the unit who belong to it and are paid by it (delivery personnel, sales representatives, maintenance teams, etc.)

+

Working proprietors, active business partners, and unpaid family workers

114. The total number of persons engaged is defined as the total number of persons who worked in or for the concerned unit during the reference year.

115. Total employment excludes directors of incorporated enterprises and members of shareholders' committees who are paid solely for their attendance at meetings, labour force made available to the concerned unit by other units and charged for, persons carrying out repair and maintenance work in the unit on the behalf of other units, and home-workers. It also excludes persons on indefinite leave, military leave or those whose only remuneration from the enterprise is by way of a pension.

116. EMPLOYMENT, NUMBER OF EMPLOYEES

=

TOTAL EMPLOYMENT, NUMBER OF PERSONS ENGAGED

-

Working proprietors, active business partners, and unpaid family workers

117. The number of employees includes all persons, workers and employees, covered by a contractual arrangement and working in the enterprise and who receive compensation for their work, whether full-time or part-time.

118. In particular, the following are considered as employees: salaried managers, students who have a formal commitment whereby they contribute to the unit's process of production in return for remuneration and/or education services, employees engaged under a contract specifically designed to encourage the recruitment of unemployed persons. This category includes persons on sick leave, paid leave or vacation. It excludes working proprietors, active business partners, unpaid family workers and home-workers, irrespective of whether or not they are on the payroll.

EMPLOYMENT, NUMBER OF UNPAID PERSONS EMPLOYED

119. Unpaid family workers refer to persons who live with the proprietor of the unit and work regularly for the unit, but do not have a contract of service and do not receive a fixed sum for the work they perform. This is limited to those persons who are not included on the payroll of another unit as their principal occupation.

EMPLOYMENT, NUMBER OF EMPLOYEES IN FULL TIME EQUIVALENTS UNITS

120. The number of employees converted into full time equivalents (FTE). Figures for the number of persons working less than the standard working time of a full-year full-time worker should be converted into full time equivalents, with regard to the working time of a full-time full-year employee in the unit. Included in this category are people working less than a standard working day, less than the standard number of working days in the week, or less than the standard number of weeks/months in the year. The conversion should be carried out on the basis of the number of hours, days, weeks or months worked.

121. **HOURS WORKED BY EMPLOYEES**

=

Total number of hours actually spent by total employees, at work, during the reference period, including overtime work

Excludes hours paid but not worked

122. Hours worked by employees are defined as the total number of hours actually spent by all employees, during the year.

They include:

- hours actually worked during normal periods of work;
- time worked in addition to hours worked during normal periods of work (overtime), where overtime hours are calculated in terms of actual hours spent at work and not in terms of time paid for;
- time spent at the place of work on work such as the preparation of the workplace, repairs and maintenance, preparation and cleaning of tools;
- time spent at the place of work waiting or standing by for such reasons as lack of supply of work, breakdown of machinery, or accidents;
- time corresponding to short rest periods at the workplace, including tea and coffee breaks.

They exclude:

- hours paid but not worked, such as paid annual leave, paid public holidays, paid sick leave;
- meal breaks, welfare and union activities;
- time spent on travel from home to work and vice versa.

123. **WAGES AND SALARIES**

=

All payments in cash or kind paid as remuneration for work done for the concerned unit

+

Payment for time not worked (bank holidays, paid vacation sick leave, etc.)

+

Gratuities and bonuses (holiday, performance, cost of living, relocation, transport, bank holidays, thirteenth month and similar fixed bonuses...)

+

Housing allowances and family allowances

+

Severance allowances

+

Taxes and social security contributions and similar contributions payable by the employee and deducted by the employer

a) TOTAL WAGES AND SALARIES, ALL PERSONS ENGAGED

Total wages and salaries include all money payments and payments in kind paid or supplied by the employer during the reference period to all persons counted on the payroll by way of remuneration for work done for the concerned unit. They exclude social security, pension, retirement and other contributions payable by the employer.

b) WAGES AND SALARIES, EMPLOYEES

Wages and salaries, employees, is a subset of total wages and salaries and includes all payments in cash and kind made to employees only (see definition of employees), during the reference year in relation to work done for the concerned unit. This category can be broken down further by gender or by category of employees.

124. EMPLOYERS' SOCIAL CONTRIBUTIONS

=

Statutory, collectively agreed or contractual contributions for sickness, maternity, disability, old age and survival, unemployment, work accidents and occupational diseases and family allowances

+

Employers' contributions to retirement and old age pensions and to life insurance for employees

+

Direct payments to employees in respect of absences from work owing to strikes

125. COMPENSATION OF LABOUR

=

WAGES AND SALARIES

+

EMPLOYERS' SOCIAL CONTRIBUTIONS

126. **ENTERPRISE**

=

Legal entity possessing the right to conduct business on its own. It may consist of one or more local units or establishments

127. An enterprise is a legal entity possessing the right to conduct business on its own; for example to enter into contracts, own property, incur liabilities for debts, and establish bank accounts. It may consist of one or more local units or establishments corresponding to production units situated in a geographically separate place and in which one or more persons work for the enterprise to which they belong.

128. **ESTABLISHMENT**

=

Unit that engages, under a single ownership or control, in one or predominantly one, kind of activity at a single location; for example a workshop or factory

Annex 2: Statistical Units

UNIDO - Definitions of variables Based on Recommendations for the 1983 World Programme of Industrial Statistics – United Nations Series M No. 71	OECD - Definitions of variables Needs to stay consistent with UN Recommendations - Reviewed to be more consistent with Eurostat definitions	EUROSTAT - Definitions of variables Based on Commission Regulation (EC) No 2700/98 of 17 December 1998 concerning the definitions of characteristics
<p><i>Number of enterprises</i></p> <p>An enterprise is a legal entity possessing the right to conduct business on its own; for example to enter into contracts, own property, incur liabilities for debts, and establish bank accounts.</p> <p>It may consist of one or more local units or establishments corresponding to production units situated in a geographically separate place and in which one or more persons work for the enterprise to which they belong.</p>	<p><i>Number of enterprises</i></p> <p>An enterprise is a legal entity possessing the right to conduct business on its own; for example to enter into contracts, own property, incur liabilities for debts, and establish bank accounts.</p> <p>It may consist of one or more local units or establishments corresponding to production units situated in a geographically separate place and in which one or more persons work for the enterprise to which they belong.</p>	<p><i>Number of enterprises</i></p> <p>The enterprise is the smallest combination of legal units that is an organisational unit producing goods and services, which benefits from a certain degree of autonomy in decision-making, especially for the allocation of its current resources. An enterprises carries out one or more activities at one or more locations. An enterprise may also be a sole legal unit. (definition from Council Regulation No696/93)</p> <p>A count of the number of enterprises registered to the population concerned in the business register corrected for errors, in particular frame errors. Dormant units are excluded. This statistic should include all units active during at least a part of the reference period.</p> <p>It should be noted that the recommendations on business registers only considers units to be enterprises if they employ at least 0.5 persons measured in full-time equivalents per year.</p>
<p><i>Number of establishments</i></p> <p>An establishment is ideally a unit that engages, under a single ownership or control, in one or predominately one, kind of activity at a single location; for example a workshop or factory.</p> <p>A local unit differs from the establishment-type of unit in that there is no restriction on the range of its activities.</p>	<p><i>Number of establishments</i></p> <p>An establishment is ideally a unit that engages, under a single ownership or control, in one or predominately one, kind of activity at a single location; for example a workshop or factory.</p>	<p><i>Number of local units</i></p> <p>The local unit is an enterprise or part thereof (e.g. a workshop, factory, warehouse, office, mine or depot) situated in a geographically identifies place. At or from this place economic activity is carried out for which – save certain exceptions – one or more persons work (even if only part-time) for one and the same enterprise.</p>

<p align="center">UNIDO - Definitions of variables</p> <p align="center">Based on Recommendations for the 1983 World Programme of Industrial Statistics – United Nations Series M No. 71</p>	<p align="center">OECD - Definitions of variables</p> <p align="center">Needs to stay consistent with UN Recommendations - Reviewed to be more consistent with Eurostat definitions</p>	<p align="center">EUROSTAT - Definitions of variables</p> <p align="center">Based on Commission Regulation (EC) No 2700/98 of 17 December 1998 concerning the definitions of characteristics</p>
		<p>A count of the number of local units registered to the population concerned in the business register corrected for errors, in particular frame errors. Local units must be included even if they have no paid employees. This statistic should include all units active during at least a part of the reference period.</p>