

# Position on Services Statistics

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## Introduction

The European economy is undergoing a transformation of servicification. This development is however not sufficiently reflected in the existing European business statistics, where statistics on services and business services are sparse and do not adequately reflect the sectors' importance for the European economy. This was equally concluded by the High Level Group on Business Services, which stated that "data on business services remain a challenge"<sup>1</sup>. The European Business Services Alliance, EBSA, believes this is a matter for concern.

EBSA welcomes the Commission's attempts in the new proposal for FRIBS to introduce more statistics on services, but regret that the reform is not more ambitious. Notably, EBSA is concerned that the definition of "enterprise" is not being modified, and that Eurostat is expected to enforce the old definition strictly. The risk here in our view is that statistics will not adequately reflect reality and may lead to a false impression that the importance of business services is decreasing, when actually the opposite is true.

## Lack of service statistics

The current statistics on services are insufficient for different reasons depending on the sectors. In some sectors the number of NACE codes are inadequate and the data gathered is hence not particularly useful. This is for instance the case with engineering. There is a big difference between engineering sold to private clients and public clients and between construction engineering, geological surveying and motor vehicle design – however, they all relate to the same NACE code (7112 in NACE Rev.2). Comparing the number of NACE codes related to "manufacturing" (C in NACE Rev.2) which is 230, with the number of NACE codes relating to "professional, scientific and technical activities" (M in NACE Rev.2) which is 19, clearly illustrates this point.

Another example is Employment Services (Division 78). Employment Services are diverse, and for the collected data to be useful, it should be further elaborated along these lines:

- Direct Recruitment
- Temporary agency work
- Outplacement/Career Management
- Other HR services

In other sectors a variety of NACE codes do exist, they are however not filled with useful data. In some cases no or very little data is collected, in other cases data is collected but in different ways in the member states, and the reliability of the national data is questionable.

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<sup>1</sup> <http://ec.europa.eu/DocsRoom/documents/4981/attachments/1/translations>

Finally, the group which Eurostat indicate “Business services” (NACE Rev. 1.1 division 72 and 74) and “Other personal service activities” (NACE Rev 2 S96) includes extremely diverse groups and the possibilities for breaking down the data in a meaningful way are limited.

The aggregate nature and scarcity of statistics on services makes it very difficult for policymakers to identify trends and needs for the different (business) service sectors. For instance DG GROW’s COSME unit has identified that recovery after the financial crisis amongst SME’s only happened in service SME’s. However due to the high level of aggregation it is impossible for them to identify more specifically in which service sectors the recovery was strongest, and more importantly which sectors needed further support. Additionally best practices and characteristics of the good performers cannot be extracted and disseminated.

Lack of statistics furthermore complicates communication about servicification and the importance to the EU economy of services and in particular different kinds of business services. In consequence, communication about growth and competitiveness often focus on trade in goods and the development in manufacturing, although services and business services are at least as important to the competitiveness and productivity of the EU economy. This gives a wrong reflection of the economy to citizens.

### **Definition of “enterprise” and its impact on business service statistics**

Today the national statistical bodies interpret the term “enterprise” differently in different member states, and differently from the original interpretation of Eurostat. Whereas several national statistical bodies interpret “enterprise” as the legal unit, Eurostat interpret it as the entire company, irrespectively of, weather it is divided into sub-units legally.

EBSA welcomes Eurostat’s decision to harmonise the work of national statistical bodies and enforce a uniform interpretation of the definition of “enterprise” through a clarification of the operational rules. EBSA is however concerned, that this definition is not up to date, and a strict approach will lead to a false picture of the role of business services in the European economy and recent developments in servicification. This development occur because in-house service units are in many cases separate legal entities, which today is counted as service companies statistically, but with the strict interpretation would be counted as part of the mother-company and therefore as for instance manufacturing, if that is the main activity of the mother-company.

In 2008 the national statistical office in France changed their methodology to be in line with what Eurostat will now be enforcing. This lead to the inclusion of service units in manufacturing enterprises, with the result that the manufacturing workforce increased by 8%. This corresponded to a 2 percentage point increase in the share of manufacturing in total non-farm and non-financial employment and a 4 percentage point increase in value added in the manufacturing sector.

These changes are significant, and taking into consideration that Eurostat finds that 22 of the 28 member states are using a “wrong” methodology based on the legal unit instead of the enterprise, the cumulative effect on the European statistics on business services will be substantial.

Whereas EBSA supports the desire to streamline the reporting from national statistical bodies, we oppose enforcing a method, which will result in statistics reporting a decrease of business services activities, when in reality business services are gaining importance.

### **Recommendation for action**

In light of the Juncker Commission's focus on better regulation and evidence-based policy EBSA recommends the following actions:

1. Mandate Eurostat to start two working groups with stakeholders and national statistical bodies, one on more detailed statistics on services and one on business services. Some member states already have service statistics down to 6-digits and some have detailed statistic on several business services, these experiences should be exchanged.
2. Further investment should be made within national statistical bodies and trade associations to improve the quality of data collected. During the financial crisis Member States have cut back on resources to the statistical bodies. This is not compatible with the increased need for evidence and statistics as a basis for sound political and business decision-making.
3. The rules on confidentiality of business statistics should be clarified, so that Eurostat is not obliged to keep data confidential, that the businesses shares publicly anyhow. EBSA recommends that Eurostat and national statistical bodies look into the possibilities for using different sources of data, amongst them publicly available data such as the annual accounts of publicly listed companies.
4. Eurostat should reintroduce the publication on an annual basis of a comprehensive report on "Business Services". This would give the Commission and the business society insights which could contribute significantly to optimizing their effort to create jobs and growth in the EU.
5. With regards to the definition of "enterprise" EBSA recommend the Commission, EP and Council to reconsider if the definition should stay unchanged, or it could be more appropriate to use the legal unit as the defining factor, especially if the legal unit is engaged in other activities than the mother-company.
6. In case it is decided to keep the definition, it should be communicated very clearly, that the fall in business service statistics vis a vis manufacturing and other industry is due to the change in methodology, and not a reflection of the actual developments in the European economy.
7. Time series should be ensured, so that comparisons can be made between the current year and previous years, despite the change in methodology. At the very least the statistics should be made available based on both methodologies in the first year of application, so that the impact of the change is visible.

### **Conclusion**

EBSA firmly believes that business statistics should give a reliable reflection of the real economy and be a sound basis for political and business decisions. Sadly this is not the case today. EBSA welcomes the initiatives taken in the proposal on FRIBS to improve service statistics and is convinced that the recommendations made in this paper can significantly improve the European business statistics ability to reflect the increasing servicification of the economy.