REPORT OF AN INFORMAL MEETING ON SERVICES STATISTICS AND CLASSIFICATIONS
HELD IN VOORBURG, THE NETHERLANDS FROM 6 - 8 JANUARY 1987

OPENING OF THE MEETING AND ELECTION OF CHAIRMAN.

1. The meeting was opened by Prof. Begeer, Director General of the Statistical
Office of the host country. He welcomed the initiative taken by Statistics
Canada to share the workload and was grateful that the invited countries and
organizations were willing to attend the meeting and in doing so to assist in
the improvement of services statistics.

2. Mr. Jacob Ryten from Statistics Canada was elected chairman by
acclamation. In his introduction, the Chairman thanked Mr. Begeer for the
hospitality extended by the CBS and emphasized the need for
better services statistics. He added that a shared workload in developing
these statistics might have an advantage over work done by one or more
individual organizations. Moreover services statistics are needed in the near
future but no single organization would be able to produce them on its own. It
is very important, he said, that, whatever the outcome of the meeting,
the results be integrated and co-ordinated with the ongoing work
of the Statistical Commission. Work could concentrate on methodological aspects
of services statistics or on classifications. A decision should be taken in the
course of the meeting.

3. It was agreed that following the agenda every representatative be
given the opportunity to describe ongoing work on services statistics in his
organization.

WORK ON SERVICES STATISTICS AND CLASSIFICATIONS

Statements by participating countries

4. Mr. Brauer of the Australian Bureau of Statistics informed the meeting
that in the area of industry and activity statistics Australia has recently
completed a survey of transport industries and is currently developing
two new surveys. The first of these relates to the year 1986-87 and covers
mainly tourism related industries. The second survey will relate to the year
1987-88 and will cover industries providing real estate, technical and business
services. In the area of classifications, work has just started on extending
the Australian Standard Commodity Classification (ASCC) to cover all services.
In addition, the Australian Standard Industrial Classification (ASIC) is
currently being reviewed with priority being given to service industries. This
review is to be completed in 1989.

5. Mr. Lestang of INSEE, France, stated that his country has developed
interministerial official classifications on activities and on goods and
services. In a first stage the classification of products (goods and services)
was not very detailed. Now a more detailed classification of services
(products) is being developed, in parallel with the inquiries in this area. The
list of services in the inquiry is more detailed than the list published as an
official classification.

Mr. Albert explained that the French observation system on service industries in a broad sense (transport, commercial trade, and market services included, but banking, insurance and non profit private and public agencies excluded) is based on an exhaustive file of enterprises and local units, annual or monthly sample surveys issued of this file, completed by the official documents exploited as a statistical source, finally resulting in very detailed macro-economic accounts. Employment statistics are also collected and analyzed. Historically, the National Accounts on services statistics came before the relatively recent annual surveys. This new source, very efficient and flexible on account of the needs, was instituted only after attempts had been made to exploit to the full all existing statistics on services in the compilation of the national accounts. The results of such annual surveys are usually available in March/April of year n+2, one year being needed, as things stand, for processing the survey.Besides the use of those surveys for national accounting, numerous "on request" analyses are carried out for trade associations, study centres, research teams, universities, etc. A detailed study of the findings makes it possible to analyse the various flows in each sector.

6. Mr. Glaab of the Statistical Office of Germany, F.R. stated that the existing data supply of federal statistics can only partially satisfy the information demands. For the so-called "traditional" fields of services (trade, transport, hotels and restaurants, handicraft services, etc.) it provides relatively comprehensive data on service products and the enterprises producing them as well as some information of the persons who are occupied with service activities. Particularly serious gaps exist in the programme of federal statistics in the field of so-called "modern services" (data processing, software development, engineering, leasing, management consultancy etc.). In the Federal Republic of Germany there also exist - very detailed - production statistics. They record the production - quantity and value - of about 5700 commodities. On the other hand, figures on total turnover are collected and compared with the value of goods produced. These comparisons show an extending gap. One explanation for this gap is the role of services. For this reason it is planned among other things to establish a classification for services and to expand the surveys concerning production.

7. Mr. Pukli from the Hungarian Central Statistical Office emphasized the following aspect of the future work: the need for very strong co-ordination with other expert groups of different international organizations, where ongoing work has any connection to service areas. (For example ISIC, SNA or statistics on tourism in WTO). Duplication of work has to be avoided. Trying to find solutions that can be adapted in other projects will save both the international organizations and national statistical offices time and work.

8. Mr. Ishida of the Japanese Statistics Bureau distributed and explained the following three papers:
A. Directory on current statistics on services in Japan.
Japan has a decentralized statistical system. And each ministry or agency has the responsability to improve and develop statistics in their administrative area. The Management and Co-ordination Agency (MCA) has a coordinating role for statistical development.
This paper shows the availability of statistical data on services at the 3-digit-level of the Japan Standard Industrial Classification. The MCA is organizing some expert committees to which staff of ministries or agencies concerned participate in order to develop services statistics in each group of the SIC.

B. Medium- and Longterm plans for Government Statistical Activities.
In 1985 the Statistics Council presented to the Minister of MCA this report after two years of hard and serious study by members of the Statistics Council, officials of the government and professors of universities.
C. Outline of the Index of Tertiary Activity.
The Ministry of International Trade and Industry has been developing this index for more than ten years. Even though they are in an experimental stage and should be more elaborated theoretically and methodologically, such indexes are very useful to judge the trend of the economy, because the weight of tertiary industry in GDP is increasing steadily and to judge the trend of the economy by only using production index, price index, etc. is not enough to grasp the trend of the whole economy.

9. Mr. Ploem of the Netherlands Central Bureau of Statistics explained that a programme to cover all services as well as government agencies with surveys on production, cost, wages, inputs and outputs will be completed by 1990 with surveys in the business services. These statistics provide the data for the yearly input/output-tables.
The lack of standard classifications raises particular problems in the field of developing volume indicators and deflators. He also mentioned the problems of discontinuity in National Accounts when new statistics are developed and briefly described the CBS-policy to deal with these problems.

Mr. Hilleboordse then gave a review of the national classifications of activities and products. The former is now being revised; the new classification will come into force in 1989. The product classification is now practically finished for the goods part while the development of the services part is planned to start this year. Detailed standard classifications are however not sufficient for making appropriate services statistics. A complete and up to date business register is of particular importance, as activities in the field of services use to be organized in small and volatile firms.
Also special attention has to be given to a proper definition of the statistical unit used.
The Netherlands Bureau of Statistics is at the moment developing a system of statistics, that can be described as a demography of enterprises. In such a system the particular dynamics of service industries become visible.

10. Mr. Lindblom from Statistics Sweden explained that in his country there is a three-part programme to develop services statistics. The three parts are developed parallell. One part is to establish quarterly series for about ten industries, containing figures on turn-over and employment. The second part is aimed to give annual information on more industries for national accounts based on the information in the enterprises annual accounts. The third part is to survey every three to five years the different industries in more detail on revenues, costs, investment, employment, customer categories and activities, completed with register information. Up to now (for 1985) surveys have been made for Business Services (incl. rental and leasing) and Transports of goods by road.
Statistics Sweden is also revising its national activity classification (based on ISIC).
For the service sector an active work has just started to take advantage of the statistical results of the mentioned surveys.
Since 1978 there is an annual survey of exports and imports of services based on a sample of about 2300 enterprises.

11. **Mr. Holmes** from the **Bureau of Labour Statistics** of the USA described the situation in his country. Within the U.S., there is extensive interest in developing statistics for the service sectors of the economy. However, there is both less experience in developing such statistics and significantly fewer resources available for such development as compared to the goods producing sector. Therefore, initial priorities of the US are in addressing the broader questions of defining outputs (conceptually) and in developing the most effective means to measure the prices and quantities of those outputs; similarly, the Bureau of Labour Statistics would put significantly less emphasis on developing classification systems prior to defining outputs or addressing measurement questions, than has been expressed by representatives of other countries.

With regard to service areas for which statistical coverage is being expanded in the United States, they include transportation, communications, retail trade and health services. The United States would like to share its experience in developing service sector statistics as well as benefit from the experience of other nations' statistical agencies in this area, especially measuring prices and quantities.

12. **Mr. Wells** of the **Central Statistical Office** in the U.K. made the following points. Coverage of services sectors is patchy, but output measures have to be calculated in one way or another.

As in case of the US, the responsibility for gathering data in the UK is spread across different departments e.g. Employment; Transport; Education; Trade and Industry; Bank of England.

The history is that there were severe reductions in both manufacturing and service inquiries around 1980. So far as service inquiries are concerned the CSO is now restoring the biennal inquiries to annual, increasing the sample sizes and extending coverage of the annual inquiries to activities not previously covered (e.g. accountants, legal services, consulting engineers, private hospitals) where GDP(o) is currently based on employment indicators. The office is however still wrestling with the price deflation problems.

There is the dilemma that both services and manufacturing inquiries have been cut and although the balance between services and manufacturing activity has changed the office wants to allocate resources to improving both rather then switching resources from one to the other.

13. **Mr. Ryten** of **Statistics Canada** mentioned recent developments in his country. One objective was to attain full coverage of services. Unfortunately, the resources of his office were insufficient in spite of increasing requirements for additional information. Nowadays it is felt that more information is needed. One problem in achieving this objective was imperfect knowledge about services.

For many service industries there was evidence that current estimates rested on shaky assumptions.

The concentration of small businesses provided another constraint, only partially offset by access to administrative records.

The possibility was mentioned that in order to obtain better statistics on services, the resources assigned to the collection of information on the goods producing industries would have to be shifted. For this reason the experiences and efforts of other countries would be of great use.

Because of international negotiations and the developments in the statistical programme it is very difficult to give hard figures on a time table.

The experiences and efforts of other countries will be gratefully used.

Statements by participating international organizations.

14. **Mr. Beekman** from the UNSO expressed the view that the current drafts of ISIC and CPC are not in their final stage of drafting. Because of financial and personnel constraints, UNSO will not be able to make improvements without help in time for the 1989 meeting of the U.N. Statistical Commission.

15. **Mr. Hill** of the OECD remarked that the OECD does not collect primary data. It hosts a number of horizontal and vertical committees working on services statistics. The main horizontal committee is the Trade Committee's Working Party, that deals with trade-in-services statistics. It has undertaken to collect available OECD countries' data and to develop an international classification of services categories relevant for international transactions; this classification is linked to UNSO's CPC and the IMF Balance-of-Payments Manual. Vertical committees cover a great number of sectors, mainly maritime transport, tourism, banking and financial services and insurance. Arrangements have been made in the OECD to coordinate these sectoral activities and to ensure that they are compatible with macro-economic systems, mainly the system of National Accounts and the Balance of Payments.

16. **Mr. Lancetti** of the SOEC made the following statement:
New policy initiatives, including GATT negotiations and the completion of the internal market, have revived community interest in services statistics.
Eurostat has presented a new approach based essentially on two aspects:
- a global approach for basic information covering the sector as a whole;
- an approach covering each specific sector of interest for community policy
Community efforts in this area should be directed to the two closely related tasks:
a) the collection and analysis of data on the basis of sources already available,
b) the development of methodological and legal bases for the creation of a system of statistics on services.
Detailed description of Eurostat projects for both the short term and long term are described in the document presented to the Conference of the Directors General of the National Statistical Institutes in Palmela on 28, 29, and 30 May 1986. In general the Conference welcomed the proposals in the Eurostat document, including the creation of the Co-ordinating Committee.
Eurostat works at present to implement the Working Conclusions agreed by the Conference.

17. **Mr. Diaz** from **UNCTAD** made clear that the UNCTAD mandate on services is derived from Conference Resolution 159(VI) and Trade and Development Board decision 309(XXX) which defined a work programme for UNCTAD secretariat on services:

(a) the elaboration of in-depth studies of the role of services in their economies and its contribution to all aspects of the development process;
(b) that of considering the definitional aspects of services and the strengthening of the data-base on services at the national, regional and interregional level, together with methodological improvements in this field;
(c) to assist, upon request, member states in the analysis of the role of services in their economies.

Regarding the work done in the area of conceptual and statistical problems, different UNCTAD papers have presented the main aspects related to this matter. In its work in this area the UNCTAD secretariat has benefited from the experience of past and ongoing research undertaken in different international organizations, public and private research institutions in both developed and developing countries.

Conclusions by The Chairman.

18. After the statements of the participating countries, the Chairman concluded that the great majority share the feeling that:
- services statistics in general are underdeveloped, and in particular when they are compared with statistics on goods;
- the lack of information on the contribution of service-industries to GDP in constant prices should be remedied;
- services statistics should be developed, even in situations where resources are shrinking.

This was partly because of the lack of balance between available information on goods relative to services, particularly as the latter accounted for two thirds or more of the employed labour force.

19. The Chairman also summarized the goals mentioned by representatives of international organizations:
- UNSO will finalize the ISIC, Rev. 3 and CPC before the meeting of the Statistical Commission in 1989.
- SOEC intends to collect available figures on service industries within the EC-countries; and
- the OECD's Department of Economics and Statistics has been given a co-ordinating role in relation to statistics of services within the organization.

20. The goal of the ad hoc meeting is to try to organize the work to be done in such a way as to achieve better and faster results by combining the efforts of participating countries and organizations.
The Chairman asked each country and organization to make a statement regarding its priorities, assuming the availability of additional resources.

PRIORITIES.

21. After discussion it was agreed that participants should present their ideas under three headings:

a. The procedures or strategy to be followed.
   The statements should be made in relation to a French proposal
   to divide the work into four stages:
   - adoption of a classification of services however imperfect;
   - collection of existing information, and co-ordination thereof
     with reference to general macro economic systems such as the National
     Accounts, Balance of Payments, etc.;
   - definition at international level of a programme of statistical surveys
     which countries could afford; and
   - carrying out such a programme on the basis of recommendations made by an
     expert group.
b. The objectives of the work to be done.
c. The organization of the work.
   This item could be handled on the basis of:
   - a list of service areas, based on draft ISIC, Rev.3;
   - an OECD proposal based on the nature of the services. This proposal
     divided services into:
     - services related to goods (e.g. transport, wholesale, repair);
     - financial services, insurance services and financial leasing (inter alia
       banking services);
     - information services (e.g. the provision of information to business);
     - services provided to persons (e.g. health and education services);
     - recreation services (including inter alia hotel and cultural services,
       tourism and entertainment); and
     - public services (e.g. public administration).
There was also a SOEC proposal to cross classify the main categories of the
draft ISIC with other variables.

22. A majority of national participants felt that the development of
classifications deserved the highest priority. However, this could be done
more successfully, if at the same time conceptual aspects re-
lated to the calculation of GDP at constant prices and to international
trade in services were studied. This implied combining the first two stages
in the French proposal. There was general agreement with the other stages
of the French proposal. Several participants expressed their interest in the
development of the methodology for statistics on services eventually leading to
a draft manual.

23. With respect to organization, the opinions were divided among the three
proposals. With regard to priorities the areas mentioned most frequently by
participants were services in ISIC, section 8; international trade in
services; followed by the services in ISIC, section 9; tourism.

24. Mr. Beekman of UNSO made clear that the main objectives of UNSO are the completion of the CPC and the revision of ISIC and SNA. The issue of statistics of international trade in services has a minor priority.

25. Mr. Hill drew attention to the point that, in view of the interest OECD takes in international statistical systems like SNA and Balance of Payments, an adequate commodity classification is absolutely necessary for adequately measuring prices and volumes. The current draft of CPC should be modified in such a way that the international trade point of view is more expressed, in particular with respect to finance and insurance, communication, transport and information services.

26. Mr. Lancetti stated: SOEC will start with the collection of existing information as soon as possible, so the development of classification has the first priority (as a medium for international comparison of existing information).

27. For UNCTAD the study and co-ordination of the conceptual aspects is very important, in order to create a situation in which inconsistencies no longer disturb the analysis of the role of services in the economies of the countries. Regarding the development of classifications, Mr. Diaz considered the business services to be the first priority.

28. Resuming the different statements, the chairman noticed with pleasure that there is a large degree of concensus with respect to the preferences of the participants: where differences occur, these concern emphasis and are in most cases not essential.
The chairman concluded that the priorities with respect to developing the classification of services can be ranked as follows:
   - business services
   - finance and insurance
   - tourism
   - other

WORK SHARING

29. The committee endorsed a proposal made by Mr Wells (UK) on the way of allocating classification work to the various participating countries. The proposal consisted in assigning to a "lead country" a segment of the ISIC and associating with that country a number of others particulary concerned with that segment. The purpose of this proposal was to ensure that each draft should benefit to the greatest extent possible from the judgement of others before submitting it formally to the UN expert group on classifications.

30. The following list reflects the agreed assignment of responsibilities by ISIC (Rev. 3, June 1986):

| Description | ISIC | countries involved | |
		Leading	Associated
Post and telecommunication	ISIC 75	Sweden	
Banking and Insurance activities	ISIC 81,82	U.K.	Canada Netherlands Sweden
Real estate activities	ISIC 83	Australia	
Renting of machinery and equipment without operator and of personal and household goods	ISIC 84	Australia	Japan
Computer and related services	ISIC 85	Sweden	Japan
Legal, accounting, book-keeping and auditing activities, tax consultancy; business and management consultancy	ISIC 891	Netherlands	Canada
Technical activities	ISIC 892	Canada	Netherlands Australia
Research and development	ISIC 893	Japan	
Advertising; Press agency activities	ISIC 894/5	Japan	
Other business services	ISIC 899	Canada	Australia Hungary Japan
Health and social work	ISIC 94	Netherlands	
Recreational, cultural and sporting activities; other service activities	ISIC 96+97	Hungary	
Industrial services	CPC 898	France	

ORGANIZATION

31. The Chairman proposed the following agenda for the deliberations on organization.
1. reporting channels
2. timetable
3. follow-up

Reporting channels

32. The proposal agreed to was that:
- each "lead" country would undertake to define the boundaries of its segment of the ISIC and circulate that definition to all members of the ad hoc group,
- each "lead" country would subsequently prepare a working paper for view and comment by its associates,
- each "lead" country would prepare a final proposal, reflecting the views of its associates, and submit it to all members of the ad hoc group.

33. The group endorsed Mr. Lancetti's (SOEC) proposal to add to its membership any other country prepared to participate actively in the drafting of classification proposals in the capacity of either "lead" or associate.

Time table

34. In view of the meeting of the UNSO/SOEC joint working group of experts in December 1987, the following timetable for contributions by leading countries was adopted:
- in the case of only one country dealing with a subject, it would send its contributions to UNSO by end September 1987;
- in the case of a consortium a first draft will be sent by the leading country to its associates in June. A copy of it will also be sent to UNSO. A final draft would be sent again in september to UNSO, taking into account comments from the associated countries; and
- in the case of legal services the Netherlands suggested to have its contribution ready for an April 1988 UNSO expert group meeting, and Canada suggested the same for its contribution regarding ISIC 899.

Follow-up

35. Under this heading the following considerations were made:
- Statistics Canada's initiative to bring such a group together was valuable to bring into focus shared concerns and views on further development;
- the ad hoc group was of an unusual nature and constitution - it consisting of committees and agencies prepared to volunteer resources to help develop statistics on service industries;
- the concerns shared by countries were not limited to the development of classifications but included SNA related issues such as the estimation of real product and the measurement of services in international trade;
- general concerns would not be removed once the classification issues were satisfactory dealt with. These concerns are related to conceptual issues and involve measurement problems in a variety of macro-economic contexts.
- there was need to maintain the impetus generated by the meeting of the ad hoc group. Additional meetings would have to be well prepared and needless duplication of work undertaken elsewhere would have to be avoided.

36. Regarding the follow-up of the ad hoc group it was decided that:
- there will be a second meeting in November 1987,
- regarding the venue three alternatives were considered, i.e. Stockholm, Ottawa and the Hague. A decision will be taken in due course.

37. The following suggestions were mentioned with respect to issues for the agenda of the November-meeting:
- progress report on classification work assigned at first meeting
- international trade in services (papers by OECD, SOEC, Sweden and Canada)
- deflators for services industries (papers by the Netherlands and Japan)
- analytical classifications for services industries (paper by OECD)
- services rendered on own account (paper by Canada)
- inventories on current statistics on services industries and the ways to display them (paper by France)
- statistical units for services industries (paper by Australia)

38. With respect to the distribution of the report it was decided, that the UNSO would sent the report to the Heads of participating Statistical Offices and international organizations. Meanwhile, the CBS, The Hague, would sent an advanced copy to all participants.

Closing remarks.

39. The Chairman expressed his gratitude to the participants for their contribution and their willingness to share the work. He also thanked Mr. Begeer for his hospitality.
Mr. Reekman of UNSO also thanked the participants and Mr. Begeer and expressed his thanks to Mr. Ryten for his excellent leadership.
On behalf of the participants Mr. Wells concurred with these latter words.