ECLAC

Economic Commission for Latin America and the Caribbean

Meeting of Directors of Statistics of the Americas

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SERVICE SECTOR STATISTICS */

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Introduction

In 1947-1948, when the International Standard Industrial Classification of all Economic Activities (ISIC) was drawn up, many expressed regret that the various national statistical offices (NSOs) did not have the necessary basic surveys for the elaboration of an industrial production index, which measures output of goods. In particular, coverage was not sufficient to estimate aggregate values for each branch of economic activity; corporate accounting, even in large companies, could not be relied on; and there were no proven methodologies that were sufficiently robust for regular and frequent application.

Now, 50 years later, the problems often mentioned include the fact that NSOs have access only to industrial statistics; that, despite this, modern economies are service economies (are there still countries where manufacturing is one of the principal activities?); that NSOs do not have the directories they need for sampling of service enterprises; and that economic classifications are deficient in the sphere of services.

- No criticism is expressed of the fact that industrial statistics are not good. On the contrary, the most widespread comments suggest that too many resources are being dedicated to their collection, and that industrial statistics are published with excessive detail and precision in relation to the uses to which they can be put. One matter of interest is how progress over the past 50 years in collecting and elaborating basic statistics has been achieved. If the formula was right, then it should suffice to copy it. In that case, we should consider what procedures were followed in setting up industrial production indexes.

- How were the necessary structures created for comprehensive and reliable industrial production statistics?

- What were the main stages in the process?

- How quickly were the various structures (classifications, registers, links with various business accounting systems) set up?

- How can we speed up the process of introducing statistics on goods, in relation to the past 50 years?

However, the process can only be redefined and speeded up if output of services has physical and economic characteristics similar to those of the production of goods; where there are differences, they may affect the strategy adopted in developing statistics for the services sector.
B. **A classification system for service activities**

It is not useful to refer systematically to “services” as if they were a homogenous item in terms of their production functions or the pattern of demand for them. There are in fact various categories of services, and it is reasonable to assume that each one has its own unique characteristics. In this paper, we shall distinguish the following categories:

1. Distribution services related to production of goods (commerce and transport);
2. Services related to the production and distribution of data;
3. Services to enterprises (financial and non-financial);
4. Services to persons (including education and health);
5. Services to communities.

C. **Problems awaiting a solution**

The activities covered by category 1 should be studied together with the production of goods, since they function as a complement to industrial production. Distribution activities have undergone profound changes in recent years, mostly for technological reasons but also for social reasons. This transformation has not been studied sufficiently.

The cyclical characteristics of category 2 are still an unknown factor. For the moment, there is every reason to treat these services separately; these reasons include their spectacular growth rate, their very close links with the creation and dissemination of leading-edge technology; and the convergence of a number of information-related activities into a single activity consisting of data production and distribution. Given all these factors, the information sector should receive separate statistical treatment.

The measurement problem in relation to the activities in category 3 is due to the fact that they are less and less autonomous at the national level. Indeed, most of them transcend geopolitical boundaries, and their rises and falls have more to do with decisions made in world financial centres than with fiscal and monetary policies in the countries where they are based.

The activities included in categories 4 and 5 are probably the only ones still remaining within the national fiscal regime and under the control of their respective countries’ economic policies. However, the major problem here is that in the great majority of cases their output is not produced and distributed at market prices; these are activities which make up the bulk of public spending.

D. **The study process**

For countries which have not yet begun systematic collection of data on production of services or made the decision to do so, a timetable should be established for the following stages:
• Allocation of priority to the subcategories of services which appear most important from the national viewpoint;

• Creation of a directory to be used as the basis for sampling surveys. This can be done using administrative records such as income tax or social security records, the results of an economic census structured by areas of activity, or some sort of mixed system;

• Design of a limited number of surveys;

• Training of a team of enumerators who can conduct questionnaires through personal interviews or by telephone;

• Development of analytical capacity within NSOs to interpret results from the first wave of surveys.

E. **The need for horizontal cooperation**

There is a group of experts, mostly from OECD member States, which meets annually to discuss conceptual, methodological and operational issues relating to measurement of activities in the services sector. It also discusses possibilities for adoption of common standards and classifications.

From the viewpoint of an individual NSO, the main achievements of this group (universally known as the Voorburg Group on Service Statistics) have been in the exchange of views on matters such as techniques, difficulties, and methods in relation to the gathering and processing of data. Another achievement of equal significance lies in access to elements of criticism, since the results obtained by one NSO can be compared with those arrived at by another. This is important in situations where a particular activity is being investigated for the first time, and it is also useful in relation to more modern activities in which cost structures are similar in different countries.

An approach of this type even more important in circumstances where the introduction of new surveys is very costly, and where there is a scarcity of human and material resources. Therefore, at the same time as substantive issues are being discussed, consideration should be given to possible institutional solutions for promoting close cooperation among countries in a given region.

The existence at the regional level of a considerable nucleus of countries which share the same language and a common heritage of customs and forms of organization, together with the fact that ECLAC has a tradition of leadership enabling it to act as a catalyst, constitute major assets for this project. None of these factors is present in the case of OECD.
F. A proposed agenda to guide discussions

If this reasoning appears to be correct, then the following agenda could be used for discussions of possible initiatives in this area:

1. Feasibility of a regional initiative on service statistics: goals and obstacles

The object of this agenda item is to determine whether, given the similarity of goals and the relative lack of resources for achieving them, a regional initiative led by ECLAC would be justified, for purposes very similar to those of the Voorburg Group, but limited to the countries of the region or a particular sub-group of those countries.

2. Structure of the initiative and possible horizontal cooperation mechanisms

There are a number of possible models. One would involve the creation of a regional expert group led by ECLAC, where the latter would act as a clearing house for communications and collective decisions. ECLAC would use its network of contacts outside the region if an extraregional contribution seemed desirable. Communication would take place mainly by e-mail, but meetings could be held to agree goals and assess progress. Meetings of Directors could act as a “supreme court”, making more global assessments and using its prestige to extend the conclusions of an expert group to all the region’s NSOs.

3. Identifying obstacles and discussing priorities

There are various obstacles - apart from insufficient resources - which may seriously obstruct progress with this initiative. They include lack of access to tax records for income tax or VAT. However, some countries have successfully reached agreements or arrangements with their respective internal revenue services. Discussions under this agenda item would relate to successful methods and the actions to be carried out by ECLAC and the Directors of Statistics in order to gain access for NSOs which have not yet achieved it.

4. Short-term collective initiatives

If discussion of the above agenda items leads to a decision that a collective initiative should be taken, certain operational measures will be essential to its success. These would include appointing experts, entrusting the task of coordination to one of them, outlining a possible timetable for areas in which progress could be made in the first six to twelve months, and agreeing that the Directors should be kept informed.