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SERVICES STATISTICS COORDINATION AND STRATEGY

Prepared by the Organisation for Economic Co-operation and Development

Services Statistics Coordination and Strategy
Full Report by OECD Statistics Directorate to UN Statistics Commission 2005
(Incorporating a report from the Voorburg Group)

Contents

- I. Introduction
- II. OECD's coordination project
- III. Principal services measurement issues
- IV. Developing a strategy for services statistics – user needs
- V. Progress and plans with selected issues, projects and groups
- VI. Summary conclusions and recommendations

Annex 1. Conclusions of and Actions taken by the UN Statistical Commission 2003 with regard to the Services Programme

Annex 2. The Voorburg Group on Services Statistics – Future Scope

Annex 3. Services measurement issues and related working groups

Annex 4. Policy needs and statistical tools related to services

Annex 5. Selected service statistics events in 2005

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I Introduction

1. In March 2003 the United Nations Statistical Commission (UNSC) invited OECD to assist it by coordinating the services statistics development work that is being undertaken by international organisations and international expert groups. This report addresses the conclusions of the UNSC, in 2003 on the services programme, which are set out in Annex 1. The report addresses user needs, summarises activity and progress in current projects, and sets out some ideas and proposals on a future **strategy for services statistics**.

2. Services are increasingly important in modern economies contributing about 68%¹ of world economy value added in 2003 and, although at a much lower level, are increasingly traded internationally. These patterns of increasing importance of services are observed in the generality of both ‘developed’ and ‘developing’ economies, although there are economies which show exceptions to the trend. Services growth has been reflected in a corresponding expansion of employment in service activities. For more information see table 1.

3. Many services can only be delivered when there is proximity between supplier and customer, which encourages firms to set up a commercial presence in foreign markets. The resulting trade known as foreign affiliates trade in services (FATS) has been growing faster than balance of payments trade in services, and, in terms of sales reported by the US, exceeds the latter.

Table 1 Data box: Services value added, trade and employment

Services value added as a % of total economy				
	1980	1998	2003	
World	55.3	65.8	68.0	
Exports of services as % of GDP				
	1980	1998	2003	
World	3.7	4.8	5.1	
<i>Source: World Bank WDI</i>				
Balance of payments trade in services v Foreign affiliates trade in services				
			Mean annual % change	
	\$billion	1997	2002	97-02
US	Service exports	239	281	3.4
	Service imports	152	211	6.8
	Outward FATS sales	255	401	9.5
	Inward FATS sales	223	387	11.6
<i>Source: US BEA Survey of Current Business, October 2004</i>				
Services employment as % of total employment				
	1980	1998	2003	
OECD 30	N/A	64.9	68.6	
of which G7	59.0	69.0	72.8	
<i>Civilian employment only (excludes armed forces)</i>				
<i>Source OECD: Annual Labour Force Statistics 2004</i>				

II OECD’s coordination project

4. As part of the coordination project OECD has drawn on the work of a variety of expert groups working on some of the key issues in services statistics. The closeness of policy work to statistics in OECD helps to inform decisions on user needs and statistical priorities. While OECD works with many non-member countries, it does not represent them and has sought assistance from others in finding necessary contacts.

¹ World Bank *World Development Report 2005* – GDP is aggregated in current US\$, calculated at current exchange rates

5. It is first important to acknowledge the important initiatives underway to update the System of National Accounts (SNA 1993); revise the IMF's Balance of Payments Manual 5th Edition (BPM5); revise the International Standard Industry Classification of All Economic Activities (ISIC) revision 3.1; and revise the Central Product Classification (CPC) Version 1.1. As well as several other statistical frameworks linked to these. UNECE also undertakes a considerable statistics coordination exercise of international organisations in its Integrated Presentation of Work described in detail at <http://unece.unog.ch/IntPres/default.asp>.

6. Consequently the services statistics coordination process has sought to avoid duplication of any aspects of these other rather larger scale exercises, and has been administratively light, practical and relevant to all the participant organisations, groups and individuals. An important aim of the project is to raise awareness of work on services. With this in mind and to facilitate communication of methodological outputs and communication with other groups and organizations, OECD created some services statistics web pages with many links at www.oecd.org/std/services/statcoordination, and a generic email hotline std.servstat@oecd.org for questions and contacts.

7. The main international groups working on services statistics are set out in table 2 below. This list is not exhaustive. Are there other groups that should be included? The question arose as to how wide one should cast the net on such groups. What is the scope of services statistics in this context? There are, for example, issues relating to the definition of services activities and products, the definition and measurement of services output in both current and constant prices, international trade, employment, human capital, technological inputs, and the measurement of new dynamic or problematic service activities and products. All these areas are taken to be in scope; as is data collection and dissemination. As for particular service activities, (e.g. health, tourism, retail), statistical development work on these is taken to be in scope insofar as it permits comparison with other activities whether services or otherwise.

III Principal services measurement issues

8. Services statistics, it is generally acknowledged, have progressed a lot over the past twenty years. This has been aided by the development of a comprehensive taxonomy for services products, the CPC, and activities ISIC rev 3, SNA 93, BPM5, Eurostat's Handbook on Prices and Volume Measures, and The Manual on Statistics of International Trade in Services. These have set out basic concepts, definitions, frameworks and international standards for describing services and compiling statistics. As these frameworks have been implemented more data, which are internationally comparable have become available. Nonetheless there remains much to be done and many complex conceptual and practical challenges to overcome.

9. There is widespread agreement in many areas about how services activity should in theory be measured but practice is much more complex, varied and often inadequate.

10. There also appears to be a broad consensus on certain basic measurement questions relating to services that need to be answered by economic statisticians.

11. These include the very fundamental problems such as:

- What is the real output of services?
- How to measure international trade in services?
- How to strengthen the statistical infrastructure to yield more reliable data on services?
- Problems related to surveying service activities, while limiting cost and respondent burden, given the high number and proportion of small enterprises among those providing services.

Table 2 Selected international groups working in services statistics (1)

A) International working groups

- **Voorburg Group on Services Statistics** : main umbrella group for services methodological development;
- UN Expert Group on International Economic and Social Classifications: Technical Sub-group;
- **Interagency Task Force on Statistics of International Trade in Services** and Technical Sub-group on Movement of Natural Persons - Mode 4;

B) Relevant OECD expert groups include :

- **OECD-Eurostat TF on Service Producer Price Indices;**
- **Short-term Economic Statistics Working Group's Task Force on Services;**
- **OECD-Eurostat Expert Group on Trade-in-services Statistics**
- Working Party on Indicators of the Information Society;
- National Accounts Working Party;
- **OECD Task Force on Financial Services in National Accounts ;**
- Statistical Working Party of the Tourism Committee ;
- OECD network of experts on National Health Accounts, in charge of implementation of the OECD manual "A System of Health Accounts" ;
- Statistical Working Party of the Committee on Industry and Business Environment (SWIC);
- Globalisation Experts;
- Working Party of National Experts on Science and Technology Indicators (NESTI) .

C) Selected other international groups whose work is relevant to services statistics

- Inter-Secretariat Working Group on National Accounts and its Advisory Expert Group
- IMF Committee on Balance of Payments Statistics
- IMF Balance of Payments Technical Expert Group on the Revision of BPM5
- Eurostat Balance of Payments Working Group;
- **Eurostat Technical Group Travel**
- **Eurostat Technical Group Merchandise Transport**
- Roundtable on Business Survey Frames;
- UNECE/OECD/Eurostat Steering Group on Business Registers;
- Eurostat Steering Group on Structural Business Statistics;
- **Eurostat WG on Business Services**
- Eurostat Joint Working Group on Foreign affiliates Statistics
- Eurostat/ECB Steering Group on Multinationals
- Ottawa Group on Prices;
- Intersecretariat Working Group on Price Statistics; Technical Expert Groups on PPI; CPI; Goods and services export-import prices (XMPI)
- Delhi Group on Informal Economy;
- Canberra II Group on the Measurement of Non-financial Assets;
- International Conference of Labour Statisticians;
- Interagency Coordination Group on Tourism Statistics
- World Tourism Organization's Committee on Statistics and Macroeconomic Analysis of Tourism

(1) Those focusing exclusively on services are shown in **bold-face** type

12. The basic question on how to measure real output was put to the Voorburg Group in the 1980s, which has still only partially been answered due to conceptual and practical measurement problems. This basic question can be broken down into a number of component problems including: how to classify service products and activities; what is the size and structure of the services sector, defining output, how to measure current price services output and inputs; how to deflate the output etc.). Other specific problems could

include: developing country issues; employment issues; sectoral issues including tourism, health services, financial services, and the public sector; policy relevant issues such as analysis of relationships between services and the rest of the economy, productivity measurement; and special issues such as how to assess the quality and quality change of services. A summary list of services measurement issues is set out in table 3.

Table 3 - Summary of services measurement issues

Main Issue	Description	Sub-issue
1	Service statistics strategy	
2	Classifications	Classifications of activities/products/international trade
3	Measurement of real output of services	What is the size and structure of the services sector?
		Definitions of services output
		Measuring current price output and inputs i) turnover/value added by activity ii) turnover by product iii) purchases iv) labour/human capital v) technology/capital inputs vi) demand for services vii) supply-use/input-output
		Measuring output volumes i) services producer prices (deflation of services output) ii) direct volume measures of output iii) estimating services export and import prices iv) short-term service output indicators (ISP) v) business tendency surveys vi) estimation of services output volumes in national accounts
4	Measuring international trade in services	Balance-of-payments trade in services
		Trade by mode of supply
		Foreign-affiliates trade in services Mode-4 trade in services
		Trade indicators
5	Surveying service activities	Business registers
		Statistical units
		Business statistics - choice and definition of variables – by size class; coverage of service sectors
		Problems of multinational corporations
		Respondent burden
6	Other policy relevant issues	ICT and Information Society Statistics
		R&D Statistics Innovation statistics
		Science and technology indicators
7	Specific sectoral issues	e.g. Tourism/Financial/Insurance/ ICT/ Business Services/Distributive trades/ Transport/ Dwelling services/Health/Education/Government/ Public sector/Cultural services/ Household production
8	Specific developing country issues	Disseminating methodological work
		Technical assistance – expert networks
		Informal economy
		Non-observed economy
9	Special measurement and analytical issues	Assessing quality and quality change of services
		Measuring productivity of services
		Voluntary unpaid services
		Non-profit institutions
		Analysing the relationship between services and the rest of the economy
		International sourcing of services
		Service flows from use/leasing of non-financial assets

13. This is further developed as a matrix of issues and corresponding expert groups, which is set out in Annex 3.

IV Developing a strategy for services statistics – user needs

14. Any attempt to take a strategic view on services statistics requires some assessment of data users and their analytical needs. Users may include central banks, national accountants, trade analysts/negotiators, ministries of finance and industry, economic forecasters, business, and academia. One would also take into account user needs with sectoral interests such as health, education, tourism, financial services, audiovisual services etc., but to limit the scope of this project, only insofar as there is a need to make comparisons across sectors. Annex 4 is a first attempt to show which statistical fields are most relevant for each category of policy need.

15. There is a general and basic analytical need to understand the size and structure of the service sector's output, and employment. There is also a need for data comparability over time, internationally, and between regions.

16. A more detailed assessment of user needs must start with the question which users? There are a variety of users each with different information needs. Statistics offices may see some as more important and influential than others.

17. Central banks have been widely charged with setting and executing monetary policy, often with inflation targets to meet. They are clearly interested in a variety of price indicators as well as a wider set of short-term indicators related to output, demand, e.g. orders, retail sales, exports; employment, labour costs, and productivity developments. In their role of maintaining currency stability, they need trade and balance of payments information. Generally the interest is at a relatively macro-economic level.

18. Ministries of Finance are equally concerned with all these to inform macro-economic and fiscal policy, and econometric models but may also be interested in indicators of longer-term competitiveness e.g. productivity, the drivers of growth or investment and indicators of attractiveness to foreign investors.

19. National accountants, because of their important position in many statistics offices, may be considered as key and influential users of service statistics as well as producers thereof. In measuring output a balance of good structural information for benchmarking complemented with short-term indicators for projections are needed. Structural information should properly reflect the importance of the service sector with good output data for service enterprises and the non-market and non-profit activities where these are significant. They also need information on inputs, investment, purchases, employment, trade and prices.

20. Trade ministries, analysts and negotiators need detailed trade data for goods and services to inform trade negotiations and monitor agreements. For services trade, in addressing the needs of the General Agreement on Trade in Services (GATS), as well as regional international accords such as the European Single Market, the North American Free Trade Area, this includes but goes beyond the traditional economic concept of exports and imports in the balance of payments, to cover access to markets through commercial presence and presence of natural persons. Since many services can only be delivered locally to customers (e.g. hotels, cleaning), statistics on activity of foreign affiliates are required, as well as those on foreign direct investment, and increasingly on movement of temporary workers delivering services together with the remittances they send to their home country. The services trade agenda and increased internationalisation of the production process, strengthens the need for internationally comparable domestic production data for services.

21. Ministries of Industry or Enterprise or the Business Environment generally take a much more detailed interest in the workings of the economy. They need more micro-economic data on industry and services to inform economic analyses to help understand the dynamics and obstacles to growth as well as international competitiveness and attractiveness of the economy to foreign direct investment. They may take an interest in the performance of small and medium-sized enterprises, which are seen as a potential engine of growth, in

activity, productivity, labour costs, human capital, skills, innovation, research and development, science, technology, the information society and other dynamic growth areas such as biotechnology and business services.

22. Two recent political initiatives illustrate this demand for statistics on services activities and their competitiveness, as well as their contribution to the competitiveness of national economies as a whole.

23. Firstly in December 2003 the European Commission published a Communication² “The competitiveness of business-related services³ and their contribution to the performance of European enterprises”.

24. The Communication includes an economic analysis of the sector based on official statistics even though “these do not fully reflect the scale of the sector and its economic importance”. The analysis points up that this sector has been the main source of job creation in the EU, especially in knowledge-intensive services. The business-related service sector has also been the most dynamic in terms of establishment of new enterprises, with more than two-thirds of start up enterprises.

25. Apart from policy issues related to improving the performance of the sector some important statistical issues were highlighted. It concluded that knowledge about business-related services is scarce, which hampers the decision making of enterprises and policy makers; also the outputs of these services are not well valued, with insufficient information on intangible assets. Further it states:-

26. “There is an urgent need for improving the level of economic information and analysis, in particular through improved services statistics. The essential role of business-related services for the growth and sustainable development of the EU economy is not fully recognised by business operators, professional organisations, economists, policy makers and the media. The main reason is that existing research and statistics do not properly reflect the role of services in the economy. Improvement of the knowledge and statistical coverage of the business-related services is an important action in order to better understand the real forces behind competitiveness. This is an essential instrument for giving guidance to decision making by business operators, policymakers and other stakeholders and for monitoring of progress in the implementation of policy areas of action described in this Communication.

27. The fact that the duration from the time of presentation of a proposal for new statistical data to the time of availability of data is long, explains the approach of presenting a relatively detailed strategy in annex III “Statistics on the services sector – outline of user needs in a long-term strategy” simultaneously with this Communication and the proposed policy actions. The improvement of services sector statistics has to be seen in the full context of collecting statistical information on enterprises. In order to manage the level of the respondent burden on enterprises, priorities for statistical requirements related to enterprise statistics have to be established.” This information need is currently being reinforced by negotiations on a proposed EU Directive on services in the EU internal market.

28. A second noteworthy political initiative concerned statistics of small and medium-sized enterprises, which include a very high proportion of services enterprises. The 2nd OECD Ministerial Conference on SMEs at Istanbul in June 2004 supported some strong recommendations on statistics including as follows:-

- Harmonising statistical methodologies and concepts through the formulation of target definitions;
- Prioritising among data collections; promoting data linking (e.g. between enterprise performance and trade data), strengthening the coordinating role of NSOs to enable better use of existing information sources
- Exploring the possibilities for longitudinal analyses

² (COM) 2003 747 final available at http://europa.eu.int/comm/enterprise/services/business_related_services/documents_brs.htm

³ Business-related services are defined in the paper as “business services, distributive trades, network services and financial services”

- Investigating possibilities to develop up-to-date (quarterly) indicators.

More information can be found at <http://www.oecd-istanbul.sme2004.org/> .

29. Many services are supervised and regulated by various ministries or specific regulatory bodies such as financial, health, education, tourism, transport, environmental, cultural and legal services. These regulatory institutions seem to be increasingly interested in international comparisons of the economic contribution these particular activities make as well as in the impact of changes in trade, whether actual or potential if markets were to be liberalised. Improvements in service statistics require good cooperation between relevant government institutions.

30. International organisations reflect the policy interests of their member countries, but they inevitably attach great importance to the analytical demand for internationally comparable data as well as contributing to the development of these. It would be fair to say that most users find statistics more useful if they are internationally comparable. The growing interest in trade negotiations to improve access to national service markets and internationalisation of production of goods and services all increase the interest and pressure to make more comparable national economic statistics.

31. Ministries responsible for international development aid and international donor agencies have an interest in statistical capacity building in countries and are currently concerned with improving information on remittances of migrants to their countries of origin in the balance of payments.

32. Developing cross-cutting policies on sustainable development, environmental issues, human or social capital, research and development require information on services.

33. Other users include economic research institutes, investment analysts, academia and businesses generally.

V Progress with selected issues and groups

34. In 2004 activity has intensified on the coordinated revision and updating of the fundamental frameworks that underpin production of useful and comparable statistics on services. These include the System of National Accounts planned to be updated in 2008, the Balance of Payments Manual due for revision in (2008), ISIC and the CPC to be revised in 2007. Because of their fundamental nature, these revisions will have knock-on effects on other Manuals for example, the Manual for International Trade in Services - to be revised by 2009 and the OECD Benchmark Definition of Foreign Direct Investment also to be revised.

SNA 1993 update

35. The Inter-Secretariat Working Group on National Accounts (ISWGNA), is responsible for leading the updating work on SNA93. The ISWGNA has an Advisory Expert Group, which has approved a proposal to refine the definition of insurance and reinsurance output. It has also reviewed provisional recommendations made by the OECD Task Force which is addressing the measurement of the output of financial services.

36. Other issues being considered in the SNA update, which could impact on the measurement of services include:-

- The treatment of non-financial assets and the revenue flows stemming from the leasing or right to use these assets e.g. software, copyrights on music and film, R&D etc. (issues being addressed in Canberra II Group).
- Capitalisation of R&D expenditure
- Services from government-owned assets

- Originals and copies (e.g. software)
- Guidelines on determining residence of firms and individuals including foreign students, sailors, foreign temporary workers (also BPM5 revision)
- Informal sector
- Goods for processing and merchanting

37. Further information on the issues being considered for the SNA update and progress can be found at <http://unstats.un.org/unsd/sna1993/issues.asp>.

Balance of Payments Manual Revision Issues and Services

38. The Balance of Payments Manual revision is supervised by the IMF, under the advice of the IMF Committee on Balance of Payments Statistics (BOPCOM). A list of revision issues has been agreed. The BOPCOM has established some technical expert groups (TEGs) to take forward work and advise it on these issues. DITEG, run in cooperation with OECD, is looking at direct investment issues. CUTEG, in cooperation with ECB, is looking at issues related to monetary unions. BOPTEG is considering other balance of payments issues. IMF expects to finalise the proposed revisions in 2006.

39. BOPCOM is coordinating closely with the ISWGNA on national accounts, the UN Technical Sub-Group (TSG) on Economic and Social Classifications, the Interagency Task Force on Statistics of International Trade in Services (TFSITS) and a selection of other expert groups.

40. BPM issues which could impact on the measurement of services include: residency of firms and individuals; classification of services within balance of payments (links to UN TSG classifications work); the borderline between trade in goods and trade in services e.g. for repairs; goods for processing; re-exports; merchanting; information products and originals. More information on the BPM revision process and the issues can be found at <http://www.imf.org/external/np/sta/bop/bopman5.htm>.

Classification Revisions

41. The UNSD conducted in 2004 a world-wide consultation on the detailed draft of the proposed ISIC Revision 4 classification of activities. The UN Expert Group on International Economic and Social Classifications and its Technical Sub-group (TSG) plan to finalise ISIC towards the end of 2005 for submission to UNSC for approval.

42. The ISIC draft has expanded the detail on services considerably resulting in four more sections (21 against 17 for ISIC rev 3.1), and 27 more divisions (87 against 60 for ISIC rev 3.1). It has set out to facilitate the convergence of the international and regional⁴ classifications. A new Information and Communication section has been proposed. The sections on professional, business support services, culture, recreation and human health services expanded. Water supply is combined in a section with some environmental activities and services. ICT aggregations have been facilitated.

43. The TSG in June 2004 invited proposals for a revised CPC. It is anticipated that within the current broad structure of CPC, services will be elaborated somewhat more. A new grouping of information products is being considered. Proposals are expected on ICT services, tourism services and health services. Research done for the North American Product Classification System (NAPCS) will be reviewed for potential use in an international context. The TSG plans to draft a detailed proposal for CPC for a worldwide consultation in 2005.

⁴E.g. The European Classification NACE, The North American Classification NAICS, the Australia-New Zealand Classification ANZSIC, etc..

44. *Improving services product nomenclatures and promoting their use in business and trade statistics should remain an important medium to long-term aim.*

International Trade in services

45. Aware of the likely impact of the updates/revisions of the SNA93, BPM5, ISIC and CPC, the Interagency Task Force on Statistics of International Trade in Services (ITFSITS) has agreed to update the Manual on Statistics of International Trade in Services (MSITS), by 2009, in order to maintain its usefulness and relevance for countries. The update will be limited in scope, but will include a review of the Extended Balance of Payments Statistics (EBOPS) classification and more material on the measurement of mode 4 supply of services.

46. Given the demand from many countries to understand better the importance of trade in services in their economies, ITFSITS has a number of activities aimed at promoting and monitoring the implementation of MSITS. The international agencies have an ongoing practice of sharing information on future technical assistance events and seminars on trade in services, in order to avoid duplication and combine scarce resources where appropriate. The shared information is compiled by and available from the IMF.

47. A training module on statistics of international trade in services has been created by the WTO/OMC, with contributions from the Task Force. This followed a request from the World Bank. The training module has been tested, and refined in seven seminars in SE Europe in 2004 and is now generally available on the UN ITFSITS website <http://unstats.un.org/unsd/tradeserv/>. A trade-in-services seminar was held by UNESCWA in Beirut 7-9 December 2004 with the participation of IMF, WTO and UNSD.

48. The commitment of the EU to obtain better statistical information regarding trade in services is reflected in two legal initiatives: i) the newly adopted (June 2004) Regulation of the European Parliament and of the Council on Community statistics concerning balance of payments, international trade in services and foreign direct investment; ii) the development of a Regulation of the European Parliament and of the Council on Community statistics on the structure and activity of foreign affiliates (FATS). The Manual on Statistics of International Trade in Services and in particular the classifications EBOPS and ICFA are implemented in both regulations. Moreover, a "Recommendations manual on the production of foreign affiliates statistics (FATS)" is being developed by the Eurostat "Joint Working Group on FATS (Foreign Affiliates Statistics)" in order to provide the common methodological framework for those working on the collection, compilation, transmission and analysis of FATS.

49. The Task Force coordinates data collection activities of international agencies related to trade in services to minimize duplication. IMF collects EBOPS components for trade in services on a voluntary basis as part of the balance of payments data collection. OECD collects and publishes both FATS data and trade in services data by partner country. UNCTAD continues to collect data on the activities of foreign affiliates, including those in the services sector. UNSD is developing a worldwide database on trade in services statistics, detailed by partner country, service category and mode of supply, which the other data collections will feed into.

50. OECD and Eurostat are working together to monitor implementation of the MSITS and data quality. A paper was provided to the IMF BOP Committee in 2004. A Eurostat-OECD Methodological Soundness Questionnaire on measurement of trade in services in the balance of payments, which was issued in 2003, has already yielded useful information from around thirty countries.

51. The Caribbean Community Secretariat (CARICOM) and USAID have a joint project to improve statistics on international trade in services in the Caribbean countries. A workshop is planned in Barbados on 21-23 February 2005, which will present common guidelines for the compilation of services statistics.

52. The OECD will publish in early 2005 The Handbook on Economic Globalisation Indicators, which provides guidance on the measurement of the internationalisation of production, international mobility of

resources and increasing interdependency of national economies. It sets out amongst other things a framework for measuring activities of multinationals and foreign affiliates trade in goods and services. The OECD Globalisation Experts now plan a project on defining and measuring “offshoring”, which is one aspect of the internationalisation of production of goods and services.

53. The UNSD have set-up a technical sub-group to the ITFSITS to work on the measurement of the movement of natural persons including trade, migration and employment statisticians. The aims of the group include i) contributing an appendix to the revised BPM5 chapter on residence. It will concern individuals and households with connections to more than one territory and supplementary presentations of data; ii) contributing a chapter to the updated MSITS on Mode 4 supply of trade in services (presence of natural persons); and iii) improving data on remittances.

Measurement of the international movement of persons and the remittances they send to their economies of origin are the subject of a number of statistics initiatives related to not only trade in services, but migration, development and other policy areas. It is a horizontal area of work that would benefit from close coordination. (The World Bank, IMF, and UNSD have recently launched an initiative to progress this work)

Short-term indicators for services

54. In response to the demand for more short-term statistics on services output, from central banks and the needs of monetary policy, the OECD Short-Term Economic Statistics Working Group (STESWG) Task Force on services is preparing a manual on Index of Services Production (ISP). A partial draft and outline was presented to the Voorburg Group in Ottawa in September 2004. An updated version of the draft is being prepared for the February 2005 meeting of the TF. It is anticipated that the Manual will be completed by 2006, subject to the approval of the OECD Statistics Committee.

55. The preparation schedule is as follows:

- Sep 2004 - 19th Voorburg Group meeting: To present the prototype of the ISP Manual
- Feb 2005 - 3rd meeting of the Task Force on services: the 1st draft of ISP manual;
- Jun 2005 - 4th STESWG meeting: the 2nd more complete version of the draft ISP manual
- Oct 2005 - OECD's NA meeting and 20th Voorburg Group meeting: To present the draft ISP manual
- End 2005: To prepare a final version of the ISP manual to be approved by the OECD committee on Statistics

56. There are also questions about the ISP's periodicity (monthly or quarterly), sectoral coverage (market services or all services) and relationship with national accounts, which will be subject to further clarification.

57. In another development OECD Statistics Directorate has recently considerably developed its reporting of business opinion tendency surveys to cover services.

Prices and volumes

58. The work on services prices and volumes is a fundamental to achieving better measures of real services output and growth. Improving current practice and international comparability are high priorities as reflected by the range of recent and current activity on this theme. They pose both conceptual and practical challenges. This section briefly describes the work of the Voorburg Group, IMF, OECD and Eurostat, the UK Atkinson Review, and a CES Seminar in June 2004.

Services Producer Price Indices

59. The **Voorburg Group** has been working in recent years, as a main activity, on basic methodological issues related to services PPIs. They have overseen good progress, helping to stimulate a considerable growth

in national activity in the measurement of these prices. The heterogeneity of services has necessitated a service-by-service approach.

60. Outputs have been in the form of principal papers, representing several countries input on prices of particular types of services in a standard format, which have been particularly useful. At the 2004 meeting three principal papers on i) Air transport prices, ii) Telecommunications prices, and iii) Property and Casualty Insurance prices, were presented. Candidates for future principal papers are tested and discussed in mini-sessions.

61. The **Inter-Secretariat Working Group on Price Statistics** (IWGPS) has developed a PPI Manual, which covers conceptual principles for PPIs for goods and services and some practical guidance. The PPI Manual chapters are available at <http://www.imf.org/external/np/sta/tegppi/index.htm>. The IWGPS in December 2003 established a technical expert group, convened by IMF, to produce a manual on export and import price indices covering both goods and services. A draft Manual should be submitted by summer, 2005 to the IWGPS. More information and some draft chapters can be found at <http://www.imf.org/external/np/sta/tegeipi/tor.htm>.

62. The joint **OECD-Eurostat Task Force on Services Prices in Short-Term Statistics** was established at the Voorburg Group meeting, 2002. The TF has had six meetings to date. The work is closely connected to the development of an EU regulation by setting priorities to develop various PPIs. In 2004 the TF started to draft a **guide** for the compilation of PPIs for services. Rather than developing methodology the TF profits from the work carried out under the auspices of the Voorburg Group. The guide will supplement the recently finalised PPI Manual, which covers goods and services, in the area of services by discussing various compilation practices industry by industry. The first draft of the guide will be circulated to countries for comments in the next few months. Information on the TF can be found in the OECD website at

http://www.oecd.org/document/43/0,2340,en_2649_34355_2727403_1_1_1_1,00.html.

63. On the OECD website results of the 2004 OECD-Eurostat-Voorburg Group survey, on the national collection of services producer prices, are now available. The website has undergone some modifications but more substantial development work will be launched in 2005 to make the website more user-friendly.

The Atkinson Review

64. In 2003 the UK ONS, after some years experience of publishing estimated direct output volume measures for a range of public/government non-market services, commissioned an independent review of the measurement of government output in the national accounts. The resulting report, known as the Atkinson Review, is at the time of writing under final preparation, although an interim report was made publically available in July 2004.

65. The terms of reference of the review were:- “To advance methodologies for the measurement of government output, productivity and associated price indices in the context of the National Accounts”

66. The interim report elaborates a basic set of principles for such output measures, including presentation and documentation. The interim report has attracted a good deal of international attention and it appears likely to have an impact on statistical work beyond the confines of the UK. The final report is expected before the UNSC meets. The question has been raised as to whether the SNA93 needs some clarification in the guidance it provides in this respect. More information is available at http://www.statistics.gov.uk/about/methodology_by_theme/atkinson/

CES Seminar on Services Prices and Volumes June 2004

67. The Conference of European Statisticians (CES) held a seminar on Services Prices and Volumes on 10 June 2004 in Paris. The Seminar was organised by the UK ONS. The seminar looked at the current

international practices for measuring prices and volumes in the service sector, measuring output of non-market services, output measures of service volumes and some uses of these statistics by external users.

68. It concluded that “the challenge is to implement handbooks and manuals prepared in recent years. The need for cooperation and sharing of knowledge at the international level in this area was underlined. It was pointed out that there was some imbalance between data produced on manufacturing and on services. This issue has to be addressed at the policy level.”

OECD Task Force on Financial Services in the National Accounts

69. An OECD Task Force on Financial Services in the National Accounts is leading work to improve the definition of the output of financial services, and the price-volume split of financial and insurance services to obtain a better measurement of these services in terms of current and constant prices.

Development work on services prices and volumes is fundamental to measurement of growth and needs to continue.

On prices and volumes there is little overlap between the active groups and good cooperation. Users demand for better, more appropriate and precise deflators of services output, for national accounts and productivity growth assessments, at present justify the continuation of the work as a high priority. Further work is suggested to consider the implications of the UK Atkinson Review for international guidelines on measuring the output of government and public services and international comparability.

Business Statistics

70. With the increasing policy and analytical interest in services, their competitiveness and the effect they have on the competitiveness of the rest of the economy, attention has been given to the basic infrastructure of business statistics. This includes business registers, units, classifications, definition of variables, firm-level data, and has highlighted problems of lack of international comparability.

71. The European Commission and OECD DSTI have been cooperating in their work on business-related services. A European workshop on services statistics was held in June 28-29 in Luxembourg, where a strategy for service statistics in Eurostat was highlighted.

72. The Eurostat strategy aims to consistently put services statistics on an equal footing with manufacturing. In particular, draft Council Regulations are being discussed to:

- increase the sectoral coverage and integrate enterprise groups into the business registers, registration of links between international enterprise groups is also planned;
- revise the activity (NACE Rev.1.1) and product classifications (CPA) in accordance to changes in ISIC and CPC;
- revise the Council Regulation 58/97 on Structural Business Statistics to increase the coverage, level of detail and the number of variables and breakdowns available for services. Several projects are ongoing to develop more harmonised data on business services, business demography, foreign affiliates, demand for services, inter-enterprise relationships and factors affecting enterprise success.

73. The Luxembourg workshop also concluded that the implementation of the data collection strategy would require a high-level setting of priorities including negative ones, to create room for manoeuvre to introduce any necessary new data collection. There was a need to address the issue of respondent burdens, to make better use of existing information perhaps through greater use of business registers for data linking, introducing a more flexible approach to meet developing policy information needs, and supplement macroeconomic analyses with micro-level analyses including firm level data.

74. OECD DSTI held a services statistics workshop on 15-16 November 2004 in Paris in cooperation with the European Commission. Themes included:

- *Measuring the integration of manufacturing and services.* A particularly important issue in the context of the growing role of services concerns the interaction between different sectors of the economy, and the ways in which these interactions could potentially be measured. This session examined the use of input-output tables, and found that these are not always available at a level detailed enough to address questions regarding the evolving nature of supply chains. The session also explored the use of firm-level data, e.g. how the composition of the economies differs according to the use of enterprise versus establishment data and how much manufacturing value added originates from service activities. The session also explored the use of data on occupations, which can show the changing composition of the services and manufacturing workforce.
- *The measurement of output and productivity in services.* Measuring output and productivity in the services sector remains a key challenge for all countries. Many official measures point to negative or poor productivity growth in key parts of the services sector, despite evidence of a growing dynamism in many parts of the services industry. Better measures of productivity are being developed in some OECD countries the workshop discussed alternative approaches to productivity measurement in services. The session focused on output measurement in retailing productivity, an important sector that accounts for much of the variation in productivity growth across OECD countries.
- *Micro perspectives on the services sector.* Available firm-level statistics demonstrate that most growth of new firms and new jobs occurs in the services sector. Growth is also driven by the allocation of resources from high to low productivity firms within the services sector. This session discussed statistical and empirical work with firm-level data that is currently underway across OECD countries and the implications for our understanding of growth in the services sector.
- The presentations from this workshop are available at the OECD Internet site, at: http://www.oecd.org/document/46/0,2340,en_2649_34445_34055470_1_1_1_1,00.html

75. In response to a strong analytical need for more internationally comparable business statistics OECD STD have set up an EDG Task Force to examine with national experts commonalities and differences in structural business statistics between European, N American and Asia-Pacific member countries.

76. This group has been set up following the Ministerial Mandate received from the 2nd OECD Conference of Ministers for SMEs (Istanbul, June 2004) and is looking at reporting units, variables, classifications and size classes. It covers both annual Structural Business Statistics and Business Statistics by Size Classes as well as industry and services in terms of sector coverage. The aim is to develop target definitions and recommendations to improve future cross-country comparability.

The wide range and dynamic nature of policy information needs and the need to manage respondent burden is leading some statistics offices to make better and more flexible use of data sets by improving linkages between them.

Sectoral issues

Information Society Statistics

OECD Activities

Introduction/background

77. The OECD's Working Party on Indicators for the Information Society (WPIIS) has been addressing the need for international standards for Information and Communication Technology (ICT) statistics since 1997. Since its inception, the WPIIS has emphasised ICT production and consumption statistics, with the following standards now in place:

- a classification of the ICT sector
- a classification of ICT goods

- definitions of e-commerce transactions (Internet and all computer-mediated networks)
- model questionnaires covering ICT use and e-commerce by businesses, households and individuals.

Main activities of WPIIS in 2004

78. Substantial progress has been made on development of a classification of ICT services (to complement the goods classification finalised in 2003). The proposal from Statistics Canada is based in part on the North American Product Classification (NAPCS) and is expected to be taken into account for the 2007 CPC revision. If the UN approves the WPIIS recommendations and incorporates the changes into the CPC, an ICT Services definition will be submitted to ICCP for declassification next year or the year after.

79. The 2004 meeting approved a revised outline for a guide on information society measurement. The Guide will serve as a repository for the statistical guidelines produced by WPIIS and will also include metadata information on Member and non-member country work in the field of ICT statistics. It will form a major OECD contribution to the work programme established after the World Summit on the Information Society (WSIS) and is expected to be completed by the next WSIS meeting in 2005.

80. Both the OECD model surveys of ICT Use by Businesses and Households/Individuals were being revised during 2004. The aim is to improve harmonisation with European and other member countries' ICT usage surveys, as well as re-orient the surveys towards areas of high policy-relevance such as digitised products, mobile access, IT security, e-business and e-government. A preliminary revision of the household/individuals survey was presented to WPIIS in May 2004 with the goal of finalising the changes by the end of 2004. A preliminary revision of the business survey was also presented in 2004, with revisions likely to be implemented in two stages. The first stage would see incorporation of a large number of "updating" revisions and possibly some new material (for instance, IT security) by the end of 2004. The second is to incorporate remaining new material, including a module on e-business processes for the 2005 meeting.

The main issues and challenges facing WPIIS

81. There are many statistical issues and challenges in the Information Society field. The short to medium term work program includes tackling a number of these as follows:

- further progressing the proposals listed above;
- finalising a classification of ICT services;
- making progress in new areas including digital content, privacy, trust and security; this work will involve data compilation from a variety of sources as well as conceptual work such as framework development.

Eurostat Activities

82. Eurostat started annual Community surveys on the ICT use in enterprises and in households/by individuals in 2001 and 2002 respectively. Eurostat provides the model questionnaires for these surveys that are conducted by the National Statistical Institutes (NSIs) of the Member States, and maintains the European Community database. Most of the Member States have participated on a voluntary basis.

83. A close collaboration between Eurostat and the OECD has ensured coordinated efforts towards a harmonization of methods and data collections.

84. In April 2004 an EC Regulation on Information Society Statistics was adopted as a legal basis for these surveys. It will ensure harmonized data for all EU-25 Member States, other EEA countries and the Candidate Countries from 2006 onwards.

85. In addition, Eurostat has built a database on telecommunications for the EU-25 Member States and the Candidate Countries, and cooperation with the ITU is ongoing.

86. As a co-organizer of the 'World Summit on the Information Society' in December 2003 in Geneva, Eurostat has offered to build on its experience for developing a list of core indicators and modes of data transmission for the global database. A Methodological Manual for the ICT usage surveys in the European Community, which is foreseen for 2005, could be offered to complement the planned guidebook on Information Society Indicators.

*Interagency Cooperative Activities
Partnership on Measuring ICT for Development*

87. Jointly sponsored by UNCTAD, OECD, ITU, UIS, UN Regional Commissions, the UN ICT Task Force, and the World Bank a meeting "Measuring the Information Society" took place in Geneva on 7-9 January 2005. Its aims included agreeing a list of core ICT indicators to be collected by all countries, including on basic access and usage by households, individuals, businesses and schools; identify technical assistance needs; identifying those ICT indicators that are relevant to the Millennium Development Goals; and presenting progress towards an international database on ICT indicators. The outcome of the meeting will serve as an input to the second phase of the World Summit on the Information Society.

Health Services

88. Health accounting work at the OECD was given high priority by the Communiqué of Health Ministers, issued at the first meeting of OECD Health Ministers held on May 13-14, 2004.

89. OECD Experts in National Health Accounts are working on promoting adoption and implementation of the OECD System of Health Accounts (SHA) published in 2000. They have made proposals on the revision of ISIC and CPC to bring these more into line with the International Classification for Health Accounts (ICHA).

90. Eurostat and OECD are examining possibilities to cooperate on data collection on SHA and participation in the Intersecretariat Group on Health Statistics established by the UNSC in 2004.

Tourism Statistics

91. Tourism statistics have been subject to international cooperation for many years. The most recent outcome was the "Tourism Satellite Account: Recommended Methodological Framework" (TSA) published by four agencies in 2001. The UNSC in 2004 "stressed the need for stronger coordination in the field of tourism statistics and in the periodical revision of international recommendations. Accordingly the Interagency Coordinating Group on Tourism Statistics, was created in 2004 and will consider, at its February 2005 meeting, proposals to update the TSA, and the 1993 UN Recommendations on Tourism Statistics.

92. The World Tourism Organization (WTO/OMT) has made a number of proposals for the revision of BPM5, ISIC and CPC to increase harmonisation of concepts between these frameworks and tourism statistics and to make them more useful for the collection of tourism statistics. WTO/OMT has developed a model survey of visitor expenditure related to inbound tourism, which could also be useful in the collection of inbound travel expenditure for the balance of payments.

93. Eurostat has started work to revise and update the European legislation on tourism statistics. Work done in EU member states in 2003-4 on the tourism satellite accounting exercise will need consideration regarding whether and in what way the official TSA framework should be revised.

Household Production Accounts

94. Household production results from the combination of unpaid labour, goods, services and capital. The output of households' productive activities is not transacted in the market, and therefore carries no

monetary value. Most of it is not recorded in national accounts. As a result, the size of household production has been largely unknown.

95. This has been the subject of extensive research over many years and there have been a number of attempts to value unpaid household labour in monetary terms have been made by countries using essentially two approaches: the input approach or the output approach.

96. The input approach is the most standardised method. It has traditionally been used to estimate the value of unpaid work in households or household production. Time use surveys provide an important data source for this method.

97. In national accounts valuation of outputs is the preferred method for the measurement of production. The discussion on this approach for the purposes of household satellite accounts has greatly benefited from the experimental household satellite accounts produced by UK Office for National Statistics in 2002.

Measuring household production is also relevant in the measurement of the non-observed economy and as this production is of considerable economic and social importance, it may also merit the application of satellite accounting techniques.

R&D and Innovation Statistics

98. The OECD Working Party of National Experts on Science and Technology Indicators (NESTI) aims to improve the methodology for the collection of internationally comparable data for measuring the input, output, diffusion and impact of science and technology.

99. In 2002 NESTI completed the fifth revision of the Frascati Manual on surveys of research and development which, among other things, aimed to strengthen the coverage of R&D in services; for example by recommending that R&D expenditure be broken down by product field (or industry served) rather than classified by the principal activity of the enterprise/organisation performing the R&D.

100. New Eurostat Regulations for data production on R&D statistics and Innovation statistics have recently been adopted. A harmonised Eurostat/OECD questionnaire on R&D Statistics is under preparation, with better coverage of services.

101. NESTI and Eurostat are currently working on a second revision of the OECD/Eurostat Oslo Manual on surveys of innovation. The first edition of the Manual (1992) had focused on measuring technological product and process (TPP) innovation in manufacturing. The first revision (1997) had already broadened the scope of innovation surveys to service sectors, and the current one will extend the concept of innovation beyond technological innovation to better reflect innovation in services by also including marketing and organisational innovation. It is planned that the revised Manual should be agreed at the June 2005 meeting of NESTI.

102. Eurostat's fourth Community Innovation Survey has been prepared with improved coverage of services.

The Future Programme of the Voorburg Group

103. The Voorburg Group (VG) met in Ottawa in September 2004. It has come to the end of a three-year programme of work which covered services PPIs, information society statistics, classifications, and turnover by product. The services PPI work has made good progress, with a number of principal papers produced and more countries actively working on an expanded range of services than three years ago. The methodological work is being tackled as described above service by service. More basic work remains to be done to develop effective methodologies for measuring prices of a wider range of services. The Group decided to conclude work on information society statistics per se, which were being developed effectively at OECD WPIIS and elsewhere. A summary inventory of country activity in measuring services turnover by product was produced in 2003. This is a basic data quality and infrastructure issue that could be developed more widely by

encouraging more countries to undertake pilot studies. VG input to the classification revisions has been very useful.

104. The Voorburg Group has been and remains a valuable leading forum, expert network and catalyst for services statistics developments. It has done essential basic methodological work notably on classifications, model surveys and more recently on services PPIs and turnover by product. However with a variety of groups active on different aspects of services measurement, in its current review of the VG work programme, and its way of working, the Group should refocus on areas where most value can be added, with more emphasis on outputs with timetable.

105. As a first step in this review the Voorburg Group Bureau has submitted a summary report, attached at Annex 2, on its work, which seeks to clarify the mandate of the Group and the future scope of its work.

106. In this respect there is a “governance” question⁵ that should be clarified. Considering that a “City group”, such as the Voorburg Group, may not have a clear mandate or the authority to address “official recommendations” to countries, the question is who should be in charge of such activity. Looking at the distribution of tasks among international groups working on services statistics, it is clear that in many cases such recommendations are actually issued by international organisations, building on the work done by the Voorburg Group, task forces, etc. and this is fully appropriate. However, there are domains where a clear assignment of roles has not been done or where the recommendations are only issued by organisations active in specific regions of the world (such as Eurostat). Some further guidance may be needed from The UN Statistical Commission to identify the way in which more “global standards” can be developed in service statistics.

Developing Country Issues

107. A reader of this report could get the impression that there is a concentration of international expert groups working on services measurement issues for OECD and Eurostat member countries. A wider range of countries are represented at the UN Expert Groups on the SNA 93 update, the Classifications Expert Group as well as the IMF BOPCOM. There are also regional seminars organised by the regional UN Economic Commissions, some recent examples of which are mentioned in the report. OECD invites participants from certain Non-member countries to certain meetings such as the National Accounts Working Party. The Voorburg Group host countries have also invited a number of developing countries to participate at meetings.

108. *Despite this activity there remains a need to engage more countries, in the services statistics agenda to understand the importance of services in their economies. From the international organisations’ point of view it would be necessary to:*

- *enhance coordination of interagency technical cooperation on this matter;*
- *disseminate methodological developments in various languages to those who need them;*
- *involve a wider range of countries in expert groups;*
- *give more attention to implementation of existing standards and manuals, the monitoring of implementation, data quality and comparability;*
- *review data collection and dissemination activities carried out by international organisations to reflect appropriately the contribution of services to modern economies.*

Non-Observed Economy

109. The Handbook on Measuring the Non-Observed Economy (NOE) was published in 2002. The NOE is of course not just concerned with services but issues of coverage of economic activity in measures of

⁵ See also the questions raised by the Voorburg Group Bureau in Annex 2.

GDP and data quality. Certain activities such as business/personal services, household production including imputed rents, and various kinds of illegal production may be particularly concerned.

110. Activity in 2004 has centred on a number of workshops e.g. OECD/UNESCAP/ADB Workshop on Measuring the Non-observed Economy 11-14 May in Bangkok.

Informal Economy

111. Measuring the informal sector of the economy is the focus of the Delhi Group. This Group met on 2-4 February 2004 in New Delhi. The main themes of the meeting were defining informal employment and methodologies for its measurement; improving the quality of informal sector statistics, and measuring the informal economy through income and expenditure surveys. More information on the Group, contacts, and its future work programme can be found at <http://unstats.un.org/unsd/statcom/doc04/delhigroup.pdf>.

112. The ISWGNA AEG has recognized the importance of the informal sector especially for developing countries. The coverage needs close definition and some extended text in the updated SNA is envisaged with reference to household production and satellite accounting.

VI Summary Conclusions and Recommendations

113. The quality of services statistics has improved in many countries over the last decade, but the high number of potential users and the increasing demand for such statistics can create the impression that statisticians are far from satisfying users of service statistics. It is quite clear that any medium-term policy to substantially improve services statistics requires adequate resources and a strong commitment from top managers in charge of statistical operations. In particular, efforts to improve services statistics should be aimed at implementation of existing standards, strengthening the statistical infrastructure and tackling conceptual and methodological difficulties. The following paragraphs identify some key issues both for international/supranational bodies and for national statistical agencies.

114. Firstly, the overall review carried out by the OECD shows that a number of international initiatives are trying to address conceptual and methodological issues related to services. The degree of coherence and co-ordination of such efforts is quite good and the global awareness on what each research group on services statistics is doing has increased and the same can be said for the accessibility to documents produced by individual groups.

115. Secondly, regarding methodological work, the review has demonstrated that there are not major gaps in the international agenda on developing services statistics. The coordinated SNA/BPM5/ISIC/CPC revisions are expected to provide a new impetus to progress on services statistics.

116. Thirdly, development work on services prices and volumes is fundamental to measurement of growth and needs to continue. Consideration should be given to the implications of the UK "Atkinson Review" for international practice in measuring the output of public services.

117. Fourthly, there is a need to engage more countries in the services statistics agenda to understand the importance of services in their economies. From the international organisations' point of view it would be necessary to:

- enhance coordination of interagency technical cooperation on this matter;
- disseminate methodological developments in various languages to those who need them;
- involve a wider range of countries in expert groups;

- give more attention to implementation of existing standards and manuals, the monitoring of implementation, data quality and comparability – the idea of developing a standard scorecard for countries regarding their progress on services statistics could be considered;
- review data collection and dissemination activities carried out by international organisations to reflect appropriately contribution of services to modern economies.

118. From the national statistical offices' perspective it can be very helpful to develop an overall strategy for the measurement of services. As new statistical projects usually take time to produce reliable figures, a careful planning of actions to produce new services statistics is absolutely necessary. According to the OECD review, special attention should be given in many countries to the development and improvement of statistical infrastructure underpinning statistics on services. This includes: structural business statistics (e.g. business registers, units, classifications, definition of variables), development of product data, trade in services statistics and the linking of datasets; short-term indicators of turnover/production in the services sector; as well as producer prices for services.

119. Moreover, the improvement of services sector statistics has to be seen in the context of the overall collection of statistical information on enterprises. In order to manage the level of the respondent burden on enterprises, priorities for statistical requirements related to enterprise statistics have to be established.

120. Although many difficult methodological issues remain, one of the main messages that emerge from the OECD review is that a wide range of methodological guidelines are already available covering most subject areas. The implementation of existing guidelines would allow any country to significantly improve the quality of its services statistics. A lot of useful experiences in implementing international guidelines are potentially available as well. Therefore, it is mainly for individual countries to invest more on this sector, raising this topic up on the list of priorities.

121. In terms of international comparability the situation is far from being satisfactory. If all countries were able to implement all existing international guidelines the situation could still remain problematic in terms of comparability, especially as far as GDP growth is concerned. This is an area where international organisations and national agencies could and should do more to develop more precise lists of recommended practices.

122. The Voorburg Group has done essential basic methodological work notably on classifications, model surveys and more recently on services PPIs and turnover by product. However with a variety of groups active on different aspects of services measurement, there is a need in its current review of the work programme, and its way of working, to refocus on areas where most value can be added, with more emphasis on outputs with timetable.

123. As a first step in this review the Voorburg Group Bureau has submitted a summary report, attached at Annex 2, on its work, which seeks to clarify the mandate of the Group and the future scope of its work. The Statistical Commission is invited to consider the questions raised in the Annex.

124. In this respect there is a “governance” question⁶ that should be clarified. Considering that a “City group”, such as the Voorburg Group, may not have a clear mandate or the authority to address “official recommendations” to countries, the question is who should be in charge of such activity. Looking at the distribution of tasks among international groups working on services statistics, it is clear that in many cases such recommendations are actually issued by international organisations, building on the work done by the Voorburg Group, task forces, etc. and this is fully appropriate. However, there are domains where a clear assignment of roles has not been done or where the recommendations are only issued by organisations active in specific regions (such as Eurostat). The UN Statistical Commission may wish to address this issue and identify the way in which more “global standards” can be developed in the service statistics.

⁶ See also the questions raised by the Voorburg Group Bureau in Annex 2.

Annex 1

Conclusions of and Actions taken by the UN Statistical Commission 2003 with regard to the Services Programme

The Commission in its 2003 report had:

- welcomed the comprehensive report on service statistics activities prepared by the Australian Bureau of Statistics⁷;
- noted the wide variety of activities related to services statistics carried out by a large number of city and expert groups and voiced general support for these activities;
- emphasized that the participation of developing countries in these expert groups needs to be facilitated;
- noted the strong need for a project management approach and coordination of work in services statistics and suggested that the OECD take the lead in this regard;
- agreed that this coordination function should not be carried out by existing city groups, whose work should remain focused on methodological issues;
- noted that such a coordination function would include a continuous overview of activities carried out, ensuring and facilitating communication between the different groups involved, and identifying overlaps, links and gaps in the work on data-collection and methodological issues, as well as setting priorities for work on services statistics;
- encouraged the provision of a single annual report on the work undertaken by the various expert and city groups on services statistics and requested that this report be submitted to the Commission;
- suggested that the future work on implementation of the Manual on Statistics of International Trade in Services⁸ should focus on improving the quality of data, rather than introducing more detailed statistics.

⁷ See E/CN.3/2003/12

⁸ Statistical papers, No.86 (United Nations publication, Sales No. E.02.XVII.11).

Annex 2 The Voorburg Group on Services Statistics – Future Scope

A1. The Voorburg Group on Service Statistics was created in 1986, in response to a request from the United Nations Statistical Office (UNSO), for assistance in developing service statistics. It was set up at the initiative of Statistics Canada. The first meeting, hosted by the Netherlands Statistical Office (CBS) was held in January of 1987 in Voorburg (Netherlands), from which the group derives its name.

A2. The primary objective behind the creation of the Group was to establish an internationally comparable methodology for measuring the real outputs of the service industries. Furthermore, the Group agreed to contribute to the development of the services areas of the two United Nations Classifications, International Standard Industrial Classification of all Economic Activities (ISIC), Rev 3 and the Central Product Classification (CPC).

A3. Subsequently the purpose of the Group was expanded to address services statistics more generally, including topics such as prices of service products; international trade in services; and employment, skills and occupations in the service sector.

A4. With the growing economic importance of the services sectors and the emergence and rapid uptake of information and communication technologies, the statistical institutes were confronted with urgent user needs for developing statistics covering these phenomena. In order to utilise the scarce resources of the national statistical offices most efficiently, the Group has emphasized the importance of international co-operation both between national and international institutes in order to avoid duplication of work and to further the development of work related to definitions and methodology, needed for the future production of services statistics. As a consequence, the Group has established close co-operation with other international organizations such as the IMF regarding services PPIs, OECD (Information Society Statistics) and other UN groups (Classification).

A5. To prioritise the immense tasks of developing services statistics, the Voorburg Group at its meeting in 1998 introduced the managing tool of a prioritised three year work program for the period 1999-2001 with the following topics to be the core activity of the Group: Producer Price Indices (PPI) for services and the classification of service products. Other topics to be addressed were Information Society Statistics, the measurement of demand for services by enterprises and the measurement of non-market services with particular reference to the non-profit sector.

A6. The Voorburg Group renewed the previous framework at the 2001 meeting, which for the period 2002 – 2004 consisted of a program to enable in-depth work on a very limited number of core issues (Producer Price Indices, Classifications of service activities and products and Information Society Statistics) and furthermore addressing a few ad-hoc issues (Non-profit institutions, Sales by service products and Short-term indicators) not to be dealt with at each meeting.

A7. The most recent work programme of the Group has raised the concern and perception among a number of participating national statistical institutes that the agenda has become too unfocused. The need to focus on core competencies of the Group and to strengthen the work program has been articulated, combined with the necessity of focusing on identified goals and deliverables.

A8. At the meeting in Ottawa 2004, the Group had a more thorough discussion of its work methods, program and objectives in order to discuss and meet the criticism raised. The conclusions of the brainstorming and discussions of the Group are presented below.

A9. The primary objectives of the Group continue to be the proper identification and definition of services industries, products and measures of turnover combined with a coordinated effort to produce producer price indices for use as deflators in order to improve the measurement of services components of real GDP. Consequently, the Group will focus its work on: 1) classification issues, 2) output measures and 3) price indices.

A10. To fully achieve this primary objective, three major functions must be performed: 1) developing new concepts, methods and best practices, 2) maintaining and improving the knowledge base, and 3) disseminating best practices and knowledge transfer. The first function is the Voorburg Group's main function and has existed since the inception of the Group. The second one is needed, as methods and best practices evolve with time. The Voorburg Group has taken that role implicitly, as there were no other forums to deal with the issues. A similar situation arises for the third function, being of importance for countries embarking on new developmental work. The recent experience of developing price indices shows that the best way of learning about constructing service price indices is to observe, participate and exchange with more advanced countries.

Table A1 – Scope and functions of the Voorburg Group

	Classification	Output measures	Price indices
Development	CPC (work completed)	Model surveys (work completed)	Collected papers (in development)
Maintenance	UNSD Technical sub-group	Reviews of model survey	On-going review of best practices
Dissemination/ Knowledge Transfer	UNSD	UN technical paper Voorburg	Manual, workshops Voorburg

Legend:

Work completed
Work almost completed
Work to be done

A11. In the past, model surveys have been developed for computer services (see Computer Service: A Model Survey of Computer Services (Statistical Papers, Series M, No. 81)), telecommunications, audio-visual services, marketing research and advertising services, and insurance services. More recently, model surveys have been developed for employment services (1997), education services (1998), demand for services (1999) and ICT usage by enterprises and households (2001-2002). The models are available in the corresponding papers on the web site of the Voorburg Group.

A12. The decision was taken at the meeting in Madrid 2000 to develop a model for presenting international practices in different services activities concerning the measurement of PPI. Principal papers have been completed for the areas of accounting services (2001), telecommunication services (2001), legal services (2001), real estate (2001), advertising services (2002), road freight transport (2002), engineering services (2002) and prepackaged software (2003). The papers are available on the web site of the Voorburg Group.

A13. In order to make its work available to the international statistical community and users of services statistics, the various outputs and papers from all the meetings of the Group are available at the

Voorburg Group website hosted by Statistics Canada <http://www4.statcan.ca/english/voorburg/> . The website has been improved by Statistics Canada to make the work of the Group in previous years more easily searchable and accessible.

A14. It is proposed that for the next three years, the Voorburg Group develop its work plan according to the three major thrusts and functions identified in Table A1. The main functions of the Group would remain the development of new concepts, methods and best practices with emphasis towards the development of service price indices. Some developmental activities may also be undertaken in classification and output measurement, as required to complement the work on service price indices. Under the heading of maintenance, two major projects need to be done over the next three years:

- i) a review of the best practices established up until now for price indices in order to hand them to the UNSD; and
- ii) a review of the model survey to ensure that it still fits and is viable.

A15. In order to attain its objectives, the Group must, in the short term, do an inventory of the work done in the recent past and establish clearly what remains to be done in terms of development of concepts, methods and best practices and set clear objectives for disseminating the outputs of the Group.

A16. Being attentive to the criticism raised, the Bureau of the Voorburg Group asks the UNSC to clarify the future role and responsibility of the Group:

- A. Is the mandate of the Group still to establish internationally comparable methods for the proper measurement of the service sector of the economy in constant prices?
- B. Is the function of the Group to develop concepts, methods and best practices in the areas of classification, output measures and price indices?
- C. Is the function of the Group to maintain and adjust concepts, methods and best practices in the areas of classification, output measures and price indices? If not, who is responsible for it?
- D. Is the function of the Group to transfer knowledge on concepts, methods and best practices in the areas of classification, output measures and price indices? If not, who is responsible for it?

Annex 3 Matrix of issues and active groups

Main Issue	Sub-issue	Groups and Organisations
1 Service statistics strategy		OECD Voorburg Group
2 Classifications	Classifications of activities , products and international trade	UNSD/TSG Voorburg Group
3 Measurement of real output of services	What is the size and structure of the services sector?	Various
	Definitions of services output	ISWGNA
	Measuring current price output and inputs i) turnover/value added by activity ii) turnover by product iii) purchases or intermediate inputs iv) labour – human capital v) capital vi) demand for services vii) supply -use/input-output techniques	
	Measuring output volumes	ISWGNA Advisory Expert Group
	i) services producer prices (deflation of services output) ii) direct volume measures of output	Voorburg Group; OECD-Eurostat Services PPI Group
		IWGPS; TEG PPI; TEG CPI; Ottawa Group
	iii) services export and import prices	TEG XMPI
	iv) estimating services output volumes in national accounts	ISWGNA Advisory Expert Group OECD National Accounts WP; OECD TF on Financial Services in National Accounts;
	Short-term Service Output Indicators Business Opinion Tendency surveys	OECD STESWG TF on Services
4 Measuring international trade in services	Balance-of-payments trade in services	IMF BOPCOM OECD-Eurostat Expert Group on Trade-in-services Statistics; Interagency TFSITS Eurostat BOP WP Eurostat Technical Group Travel Eurostat Technical Group Merchandise Transport
	Trade by mode of supply	Interagency TFSITS
	Foreign -affiliates trade in services Mode-4 trade in services	OECD Globalisation Experts; Eurostat Joint Working Group on FATS; UNCTAD UN TSG on Movement of Natural Persons - Mode 4
	Trade indicators	OECD International Trade Statistics

		Group
5 Surveying service activities	Business registers	Round Table on Business Survey Frames UNECE/OECD/Eurostat Steering Group on Business Registers
	Statistical units	Eurostat TF on Statistical Units
	Business statistics –choice and definition of variables – by size class	Eurostat Steering Group on Structural Business Statistics; OECD SWIC ; Eurostat Working Group on Business Services
	Problems of surveying multinational corporations	Eurostat/ECB Steering Group on Multinationals
	Respondent burden	
6 Other policy relevant issues	ICT and Information Society Statistics	OECD WPIIS Voorburg group Eurostat WG on Information Society Statistics
	R&D Statistics	OECD NESTI Eurostat WG on R&D Statistics Canberra II Group
	Innovation statistics	OECD NESTI Eurostat
	Science and technology indicators	OECD NESTI
7 Specific sectoral issues	Tourism/Financial/ Insurance/ICT/Business services/ Distributive trades/ Health/ Education/ Dwelling services/Government/ Public sector / Cultural services / Household production etc	Various
8 Specific developing country issues	Disseminating methodological work	
	Technical assistance - expert networks	
	Informal Economy	Delhi Group
	Non-observed economy	
9 Special measurement and analytical issues	Assessing quality and quality change of services	Voorburg Group Services PPIs in part
	Measuring productivity of services	OECD SWIC
	Voluntary unpaid services	
	Non-profit institutions	
	Analysing the relationship between services and rest of economy	OECD SWIC
	International sourcing of services	OECD Globalisation Experts and others
	Service flows from use/leasing of non-financial assets	Canberra II Group

N.B. Bold indicates groups principally focused on services. The outputs, existing and planned, of groups should be elaborated.

Annex 4 Policy needs and statistical tools related to services

Monetary policy and macroeconomic analysis	Competitiveness, communication, industrial, SMEs policies	Productivity analysis	Trade agreements, globalisation of services, offshoring/delocalisation	Labour policies
National Accounts	National Accounts	National Accounts		
Business registers, classifications, monthly, quarterly and annual business surveys	Business registers, classifications, annual business surveys	Business registers, classifications, annual business surveys. capital and employment surveys	Business registers Bank settlement systems ; business surveys and household surveys	Business registers Business surveys
Service prices and volumes		Service prices and volumes		
Short-term indicators of services output Balance of payments	Trade in services FATS statistics FDI		Trade in services. FATS statistics. FDI Movement of people (and remittances)	
Other types of statistics	ICT statistics Innovation statistics R&D statistics Labour Force Survey Mergers & Acquisitions	ICT statistics Labour Force Survey	ICT statistics Labour Force Survey Migration statistics	Household surveys of employment (e.g. Labour Force Survey)

Annex 5 Selected service statistics events in 2005

1. CARICOM/USAID workshop on Trade-in-services Statistics in Barbados on 21-23 February 2005
2. Interagency TF on Statistics of International Trade in Services meetings in Paris on 2-3 February and 16 September 2005
3. OECD TF on Financial Services Statistics meeting in Paris on 9-10 May 2005
4. OECD Short-term Economic Statistics Working Group TF on Services meeting in Paris on 1 to 2 February 2005 and a one day meeting at the end of June 2005.
5. OECD-Eurostat TF on Services PPIs meetings 14-15 April and in October/November 2005
6. Voorburg Group meeting on Service Statistics - Helsinki September 2005
7. OECD-Eurostat meeting of Experts in Trade-in-services Statistics – Paris 13-15 September 2005
8. Eurostat meeting on Services Statistics – Luxembourg 24-25 October 2005
9. ECLAC/UNSD/IMF Seminar on International Trade in Services in Autumn 2005 – venue to be announced