

3 Coverage of the SBR

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Introduction

This chapter outlines the coverage of the SBR for the main types of institutional units, sectors and industries and the issues that statistical agencies need to address to determine the coverage of SBR.

3.1 Brief presentation of the issues and problems to be covered

Business registers for statistical purposes should record all active entities in the national economy that are engaged in economic activities contributing to the gross domestic product (GDP) on a reasonably long term basis. In general, the term “economic activity” is understood as referring to a process, that is to say, to the combination of actions carried out by a certain entity that uses labour, capital, goods and services to produce specific products (goods and services).

A statistical business register can be said to be complete if it includes all units with their required characteristics in the target population. In reality, complete coverage may not always be possible to achieve, often for cost reasons, but for the purposes of international comparison it is desirable that the coverage of business registers should meet agreed standards and completeness should be an aim.

The business register contains the population frame which is the listing of all economic units in the population from which survey samples are drawn. The accuracy of a business register for a given reference period can be, therefore, defined in the extent to which the actual frame population in the business register represents the target population.

It is recognised that in any period units will commence and cease operations. Ideally statistical business registers should be regularly refreshed, birthing new units and deathing the units which have ceased. These aspects are covered in Chapter 7, Maintenance of the SBR.

This chapter presents some considerations for formulating the SBR scope and coverage decisions and the specific issues for each SBR segment.

This chapter elaborates on the concepts articulated in the 2008, SNA and ISIC Rev 4. Material presented is also drawn from the following sources:

- Business Registers Recommendations Manual, 2010 Edition;
- EU Regulation No 177/2008 on Statistical Business Registers;
- Draft Working paper on Statistical Business Registers, June 2011, UNSD and Eurostat; and
- Guidelines for Building Statistical Business Registers in Africa, AfDB, September 2012.

3.2 Scope and Coverage

The starting point for a statistical agency should be an examination of the country’s economy and the availability of source information. The following issues should be considered:

- The extent to which the economy is regulated;

- The taxation system;
- The availability and number of sources of information regarding entities undertaking economic activity;
- The proportion of activity undertaken informally;
- The size of the underground economy; and
- The contributions to economic activity of the various types of units.

The answers to these questions will provide useful information for the statistical agency for making decision concerning the scope and coverage and how to populate and maintain the business register. Other considerations may also impact upon the scope and coverage of the business register. The statistical agency must balance the statistical requirements of the business register versus the costs associated with populating and the ongoing costs of maintaining the business register. The maintenance of Business Registers is covered in Chapter 7.

The role of the business register is three fold. It is a point in time picture of the demographics of organisations undertaking economic activity. It also provides survey frames and plays a role in the statistical agency's account compilation framework.

It is recognised that the extent to which the Business Register represents the entities undertaking economic activity will in turn influence the compilation methodology employed by register users.

For example where the register is unable to offer complete coverage of a type of unit, register-based collections need to be supplemented with other sources of information such as household based surveys.

Business Registers have an essential core of units that they must include in order to be effective. Benefits may be drawn from the inclusion of other units but they are not part of the essential core of the Business Register. The following table outlines for each type of unit, whether it is a core or non-core business register unit type and a suggested method for acquiring production data. It is based developed for the Guidelines for Building Statistical Business Registers in Africa.

Figure 3.1: Coverage required for acquiring production data

Sector/ Activity Type*	Enterprise Type	Part of essential core of Business Register?	Recommended Method for Acquiring Production Data
Formal	General government	Non-Core	Administrative collection (government data about itself)
	Financial corporations and quasi-financial corporations	Non-Core	Administrative collection
	Non-financial corporations and quasi corporations	Core	SBR-based enterprise survey, or administrative collection where data available (for example education, health)
	Not for Profit Institutions	Core	
	Registered household enterprises	Core	
Informal	Non-registered non-agricultural household market enterprises	Non-Core	Area-based household-enterprise survey, or estimation where value is small
Informal Agriculture	Non-registered agricultural household market enterprises	Non-Core	Area-based agricultural survey
Own-use Production	Non-registered household non-market enterprises	Non-Core	Area-based agricultural survey, or estimation where value is small
Illegal*	Corporations and household enterprises	Non-Core	Ignore, or use experimental estimation within national accounts
Underground*	Corporations and household enterprises	Non-Core	Estimation within national accounts
<i>*Note: Illegal and underground activities can occur in any of the sectors listed above</i>			

This table is provided as a guide only. Many advantages can flow from including some of the formal sector non-core types of units on the business register in terms of statistical integration and coherence. The business register can for example provide frames for employment, wage costs environmental and innovation surveys. Statistical agency decisions on whether these unit-types are included on the business register will be based on the availability of coverage sources and the cost of maintaining the population of units.

Whilst from this figure the coverage of business register-based surveys appears to be very limited, in fact business register-based surveys account for a significant proportion of economic production, and this proportion tends to increase with the development of the economy within a country.

Given the limitations on coverage inherent in the use of an administrative source, or sources, to create and maintain the SBR, it is prudent to limit the statistical coverage of the SBR to what can be realistically achieved.

3.2.1 Some key concepts (formal, informal, market)

This section provides explanations of some key concepts that underpin the coverage of statistical business registers.

Formal and Informal

Broadly speaking from a business register perspective, the statistical universe can be divided into two parts:

- Units which are covered by the business register (the list-based frame segment)
- The remainder of units (the non list frame segment).

The list-based frame segment is also known as the formal sector.

The non-list frame is also known as the informal sector. It is not possible to draw up an exhaustive list of these units as they are often characterised by non-registration of the enterprise, high rates of birth and death and absence of well-maintained accounts, and the carrying out of their economic activities without a fixed location. Usually the best approach is to cover these units by a (geographical) area-frame approach.

Market producers

Units which are market producers and whose principal activity is the production of goods and services are the core coverage of the statistical business register. The listing of all registered profit oriented corporations (e.g. companies, businesses, and firms) is the most important on an economic point of view and causes in principle no methodological difficulties for integration in the business register.

3.3 Institutional unit types

Chapter 4 of 2008 SNA describes four types of institutional units which engage in economic activity. These are corporations, government units, households and non-profit institutions. The coverage of each of these is described in the sections that follow.

3.3.1 Government Units

2008 SNA describes government units as unique kinds of legal entities established by political processes that have legislative, judicial or executive authority over other institutional units within a given area.

Data for general government units can often be obtained from central government sources rather than requiring direct survey of individual government ministries, departments, and agencies. So two questions arise, namely: (i) whether general government needs to be represented in the SBR, and (ii) if so, how the corresponding enterprises can be identified.

The argument in favor of identifying and including enterprises in the SBR to cover general government enterprises is that it means a single system can provide frames for all surveys. Appropriate reporting arrangements can be defined to ensure that data are collected from a single central source rather from individual government units, where this is appropriate. Where no single source can provide the data required, for example, data on innovation or research and development, data can be obtained by direct survey of government enterprises.

Statistics South Africa does not include general government units in its SBR. For the survey of employment and labor costs, such units have to be appended to the survey sample after it has been selected from the frame derived from the SBR. This is a slightly more laborious and error-prone process than if the units were included in the SBR.

As regards identifying general government enterprises, the same principles can be used as for profiling other large complex enterprises, as further discussed in Chapter 7.

3.3.2 Corporations

In 2008 SNA corporations are described as covering legally constituted corporations and also cooperatives, limited liability partnerships, notional resident unit and quasi corporations.

Usually sources which identify corporations are readily available and make up the essential core of the business register.

3.3.3 Non-Profit Institutions

In 2008 SNA Non-Profit Institutions are described as legal or social entities created for the purpose of producing goods and services but whose status does not permit them to be a source of income, profit or other financial gain for the units that establish, control or finance them.

Ideally these units should be included on the business register.

3.3.4 Households

Households should be included in statistical business registers, if their production is greater than that required for their own consumption and the surplus is sold or traded in some way, e.g. surplus vegetables sold on a market stall.

It is recommended that households which are employers of domestic and other personnel should be included in the statistical business register. Their inclusion in a

business register allows that register to be used, in connection with employee or household-based surveys such as the labour force survey where employees of these units are likely to be included.

3.4 Special cases

3.4.1 Agricultural holdings

Although not part of the essential core of business registers, there are benefits from including agricultural units in statistical business registers. Their inclusion is an important step towards the integration of agricultural statistics into the comprehensive system of business statistics. A coherent system of information is essential, especially for the purposes of national accounts. In this context, ‘agriculture’ refers to activities which are included in farm structure surveys according to ISIC section A and surveys on agricultural production methods.

Some countries manage farm and forestry registers independently from the statistical business registers. This practice can lead to inconsistency in the data, to less effective updating routines and greater response burden for the agricultural holdings.

3.4.2 Own-use production

The 2008 SNA describes the household production boundary in paras 6.28-6.48 as including the production of all goods. Activities undertaken by households that produce services for their own use are excluded from the concept of production. The exceptions are services provided by owner-occupied dwellings and services produced by employing paid domestic staff. On pragmatic considerations however, households should be in principle not listed in the business register insofar as the goods and services they produce are for their own consumption. In most of the cases household production is consumed by the household itself, e.g. production from domestic gardens, or invested in the household, e.g. do-it-yourself activities.

Households producing services for their own use and not part of the production boundary should similarly be excluded from business registers.

It is recommended that household lessors (renting and operating of self-owned or leased real estate) — but no other lessors — be excluded from the register in order not to inflate the register unnecessarily, as their letting generally occurs on a small scale. For larger-scale letting activities, an enterprise is generally established and this should be included in the register. However, in some administrative sources the difference between household and enterprise lessors may be difficult to define. In that case, the statistical agencies may be compelled to include household lessors (or some of them) on the register.

3.4.3 Illegal and underground

Underground and illegal activities are not generally covered by business register as they usually escape the administrative registration processes on which the business register is based.

3.4.4 Self-employed professionals

Self-employed professionals (non-employers or one-person enterprises) should be included on business registers. They are frequently undercovered but tend to play a very important role in several ISIC sections (e.g. section M or class 9000). Many countries have administrative sources covering at least some of these, e.g. social security sources, tax files on persons, files of Chambers of Crafts, government registration files, lists of doctors, etc.

3.4.5 Public Sector

Public sector undertakings producing goods and services should be included in the statistical business register.

Public financial and non-financial corporations often operate in similar ways to private corporations, though they are controlled by institutional units in the general government sector. They may be created to produce goods or services on market terms and the establishment of the statistical units should follow normal procedures.

The main challenge for public sector undertakings is to define operational rules for determining the statistical units within the general government bodies. In the case of general government bodies, the type of organisation is very variable (e. g. central government, social security administration, or local government of the region, province, department, county, municipality, metropolitan area, etc.) and to determine the appropriate statistical unit for the collection and compilation of statistics has to be well analysed. It is recommended to use a top-down approach (see description on profiling in **chapter**) for defining meaningful enterprise units for the general government bodies.

3.4.6 Extraterritorial organisations and bodies

The international organisations, embassies and foreign government representations can be split into two groups:

- Those whose sites are deemed to form part of the economic territory of another country (e.g. embassies, consulates, military bases), which should therefore be included as units in the statistical business register of that country. Such units would probably come under ISIC section U in the controlling country. These units should not be included in the statistical business register of the host country.
- Those whose sites do not form part of the economic territory of another country. This group includes units such as international organisations (e.g. the United Nations and its agencies, European Communities, OECD, IMF, World Bank, etc.) which may not technically be part of the economic territory of the host country (according to the definition of the SNA), but should be included in the statistical business register of that country for the sake of completeness, as they would not appear in any other business register. National statistical agencies can then decide

3.5 Links to other chapters/issues in this report

3.6 Other issues ...

2.y Topics for further work

The second-last section should include unresolved issues or problems that may need further work or research.