

Meeting of the Group of Experts Business Registers, 30 September-2 October 2019, Geneva

Session “The Statistical Business Register and Globalisation”

Paper:

The role of the Statistical Business Register for capturing globalisation -

An essay on globalisation, the statistical business register and the enterprise concept¹

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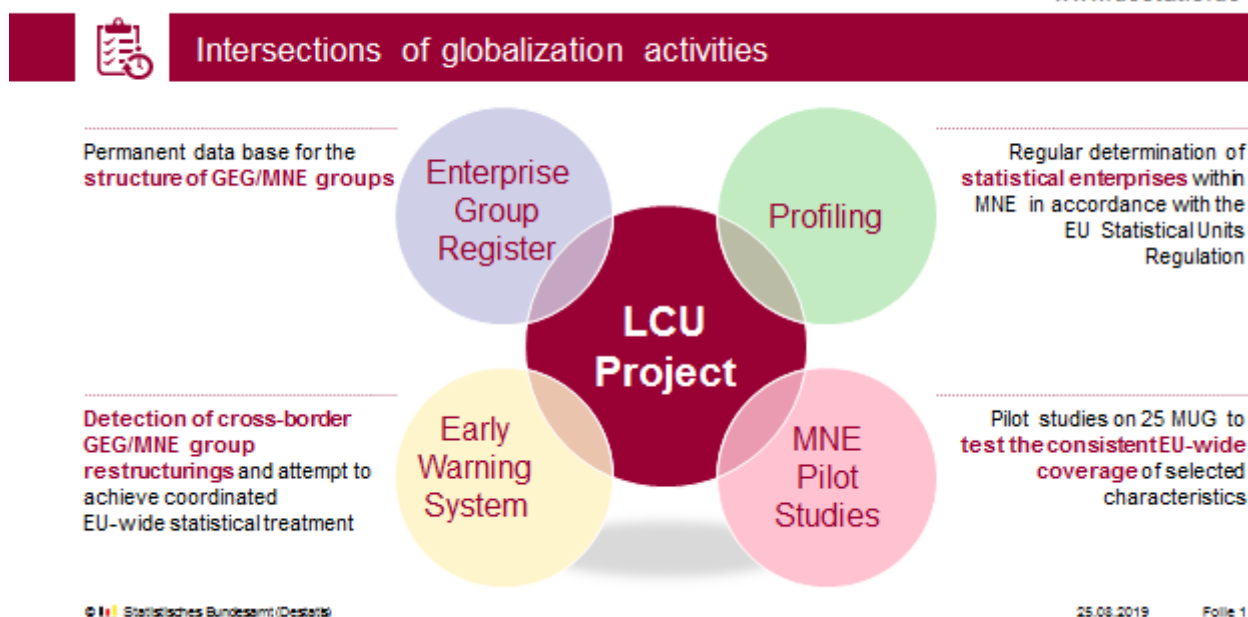
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Intro

Economic globalisation is a main challenge for Statistical business Registers (SBRs) and for economic statistics in general. It influences the activities to be measured and data collection becomes more complex and difficult. Economic globalisation is accompanied by the development of global production arrangements and increasingly complex enterprise group structures, where the challenge of the SBR is to collect and provide coherent and relevant information in a continuously changing world. Statistical offices need to consider this when developing methods and practices, while national differences in terms of legislation, institutional set-up and structural diversities put limits on obtaining international comparability (taken from the call for papers of this session).

Official statistics of the European Union (EU) and worldwide faces pressure from different users to give special treatment to large multinational enterprise groups (e.g. the European Court of Auditors). The pilot studies on Gross National Income (GNI) have shown that this might be possible as a joint activity of the ESS. The initiatives of the Directors of Business Statistics (BSDG) for a systematic and coordinated approach to the consistent treatment of multinational enterprise groups aim to better coordinate the current activities related to globalisation (EuroGroupRegister EGR, European Early Warning System EWS, MNE pilot studies of national accounts). The work of Large Cases Units (LCUs) could play a focal role here. The Federal Statistical Office in Germany, like many statistical offices these days, has begun preparations for such a special unit.

¹ This paper reflects the view of the author. He has not yet checked whether it reflects in every aspect the official view of Destatis.



As the statistical business register (SBR) forms a basic infrastructure for economic statistics, the economic actors of globalisation have to be adequately portrayed in the SBR. The paper reflects on challenges for SBR in the context of Global/Multinational Enterprise Groups (GEG, MNE groups), supranational business registers like the EuroGroupsRegister, Large Cases Units (LCUs) in official statistics and conceptual issues of the statistical units in the face of globalisation.

1. Economic Globalisation

Global Enterprise Groups (GEG), often also called Multinational Enterprise Groups (MNE groups) are key players in the economies. Their data have a large impact on official statistics. Their production arrangements are more and more complex, their value chains are increasingly global, including phenomena like relocations, factory-less production, merchanting and other global production arrangements. This makes it difficult to capture the economic activities of GEGs according the current concepts by regular statistical surveys.

The 2014 Riga Memorandum “Towards Global Business Statistics” pointed out this complexity and since then several activities were put in place by the ESS to respond to the measurement problems raised by MNEs and improve the data quality in different domains.

The Business Statistics Directors Group (2019) in official statistics of the European Union (EU) are investigating the different initiatives and activities in place and urges to better integrate them “towards a more systematic and coordinated approach for better monitoring and recording MNEs data in the future. The aim is to turn some of the activities that have been developed in pilots or in test mode in the past years, into regular production processes for the future and in general to better link and organize them to exploit scale economies and synergies and to reduce cost and burden. A more systematic approach could be based on the following principles:

- a) Changes should be cost effective and user oriented,
- b) Re-using the developed capabilities, including know-how and infrastructures,
- c) Avoiding double work, creating synergies and links between the micro and macro level,
- d) Improving data quality and in particular relevance, timeliness and consistency,
- e) Linking different activities and their output in consistent processes and organization,
- f) Strengthening cooperation and data exchanging/sharing across domains and countries.”

(BSDG 2019)

In the author's view this is a very important, at the same time a very ambitious approach. The activities related to globalisation currently in place have been developed - not in isolation to each other, but - with considerable autonomy of actors, aims and approaches. Therefore the postulated principles e) and f) seem to call for a procurator of globalisation issues in official statistics. This would be the basic task of Large Cases Units in the statistical offices.

To bring so far insular activities in the statistical offices together and to harmonise them makes **necessary to speak a common language** in a metaphorical sense. This forms a basic element of an infrastructure to deal with globalisation.

A second prerequisite for efficient work on globalisation issues is to **assign clear tasks to the different actions which are involved**. The intersections and overlaps are not quite as obvious and undisputed as it may seem.

This paper focuses on two activities which are related or attributed to the Statistical Business Registers – namely the Enterprise Group Register and Profiling – and examines their relevance for the work of Large Cases Units (LCU).

2. Large Cases Units

It is becoming increasingly important for the National Statistical Offices to prove ability to ensure that data on GEGs are well recorded coherent and reliable.

A second necessity is to have a common set of statistical data. Statistical data today is collected decentralized by many actors and for different observation units. The task to direct and puzzle the pieces of information into a consistent and reliable picture of a GEG is far from being trivial.

Divers as the concepts of LCU work may be, they all include to focus on large and important economic actors and they struggle with the situation that micro data about these actors are collected by several surveys quite independently of each other and therefore micro data is spread in the statistical offices. A common task of LCUs therefore is to bring together micro data from different sources, surveys and possibly statistical institutions in order to do cross checking and plausibility checks. By this, LCU work is complementary and additional to the work of the survey departments. LCU work at the same time is selective since focused on the biggest players of the economy.

In order to fulfill this task LCU staff must be aware of the statistical concepts in place in the different statistical domains, including the SBR and to name and attribute the different aspects of LCU work by proper and common labels and wording.

3. Globalisation and the statistical concept of the enterprise

Using a common language means using the same terms for the same concepts and using different terms when different concepts are dealt with. This is by far not the case today. As an example one may read the first page of a description of the MNE pilot exercise (Meeting of the GNI MNE Pilot Exercises 2019). We there find the terms

- The *structure of the Global Enterprise Group (GEG)* in the EU
- the *structure of the MNEs*,
- the *most important enterprises*
- the *revised MNE group structure*

Using the same language is key in order to have a common concept of globalisation issues and to be able to communicate about and to deal with the issue.

The author argues that in the list of expressions three of four refer to enterprise groups – and for good reasons. One time the term “enterprise” is mentioned – but does the GNI MNE pilot exercise really want to deal with enterprises? And would this be enterprises as Structural Business Statistics (SBS) are supposed to calculate them according to the action plans which have been presented to Eurostat in 2015/2016? Or should globalisation re-open the issue about national versus “global” enterprises (GENs)? The answer could be a distinctive “Well, yes, but...”.

Why “yes”?

Because globalisation is the best proof to argue that the authors of the Statistical Unit Regulation have been wise to define and describe the enterprise concept regardless of geographical borders. The degree of autonomy which is attributed to them distinguishes between enterprises and enterprise groups. There is good reasoning that in today’s globalised economy the postulated “sufficient” degree of autonomy for enterprises is found in sub-units of enterprise groups which are not limited by national borders. In other words: Statisticians would find global enterprises if they would be looking for such.

Why “but”?

Because this alone would not help statisticians who want to secure the quality of national figures. Why is this? Because global enterprises act globally and this global acting would only be adequately captured in figures that are themselves global. So everybody who calls for using a concept of global enterprises in order to capture globalisation must at the same time call for splitting the figures about these global enterprises artificially in national parts in order to describe the effect of globalisation on national statistical figures. In other words – interpreting and applying the enterprise concept globally is adequate to capture globalisation in proper statistical figures, but it will produce global statistical figures, not national ones.

For this reason the author votes for clarity in wording and this would mean to accept that profiling (see chapter below) as it is practiced in EU statistics today (for the purpose to identify enterprises in national borders) will not help much in capturing economic globalisation. It should be clearly described what it can contribute and it should be clearly described what other actions apart from profiling should be addressed for the other aspects

which profiling cannot provide and should not be misused to provide. Therefore, the BSDG paper is mistaken when it proposes that – for globalization issues - the EGR “needs current updating on the basis of the MNE profiling work” (BSDG 2019, 7).

4. Statistical Business Registers, Enterprise Group Data and Profiling

The Business Register detects, stores and combines units of different kind and thereby provides a basic infrastructure for micro data combination (Sturm 2008) The SBR applies the concepts of statistical units laid down the EU Regulation of Statistical Units (EU 696/93) thereby offering its users the base information for consistent data across different sources. Key strengths (unique selling positions) of the SBR are:

SBR deals properly with concepts of different statistical and non-statistical units

SBR provides the relations between different units

SBR is exhaustive

SBR is regularly updated

In this section we now discuss two aspects of SBR work. Both are often mentioned to be closely related with globalisation – but this paper argues that only one of them is. The other one should be discussed more carefully and with more conceptual diligence.

Enterprise Group Data in the Statistical Business Register

In **National Statistical Business Registers (NSBR)** Enterprise Groups (EG) are built by Legal Units (LU) which are connected by control relationships. When all LU of an EG are located in one country we call it a national enterprise group, otherwise global or multinational enterprise group (GEG, MNE groups). NSBRs in the European Union contain and update at least annually information about national enterprise groups and about the national parts of global enterprise groups – so called truncated groups.

The **EuroGroupRegister (EGR) in Eurostat** combines information from NSBRs of the Member States of the European Union and EFTA on truncated groups and thereby forms complete GEGs. This takes places annually for all GEGs which contain at least one LU in a Member States of the EU and EFTA countries. Supposing that NSBRs have the best information about truncated enterprise groups in their countries, the EGR aims at producing the best picture about GEGs – and in turn provide this complete picture to the NSBRs in the Member States for statistical use.

The EGR works in annual cycles. The cycle contains steps done by Eurostat, steps done by the NSBRs and steps done by NSBRs in cooperation. The Central Banks are expected to contribute to the EGR cycle. The contributions to the EGR cycle are fed by information from the NSBRs plus information purchased by Eurostat from commercial data providers. The EGR IT system in Eurostat is the common platform to exercise the cycle steps.

LCU and Enterprise Group updating in the SBR: Things in common and distinctions

issue	things in common	distinctions
target population	economically very important national parts of GEG („large	LCU concentrates on very important cases. LCU works

	cases“)	<p>on cross-border economic relations and transactions within GEGs.</p> <p>NSBR: all national EGs and all national parts of GEGs. Therefore mainly automated procedures for updating.</p> <p>EGR: all GEGs which contain at least one LU in one Member State of the EU and EFTA countries. Therefore mainly automated procedures for updating.</p>
relevant unit types	<p>Aim to describe the structure of GEGs and detect all changes in the structure, changes of important roles of LUs within GEGs, especially with regard to decision making.</p> <p>The updating procedures for EG makes use of control relationships between LUs. It provides structures of EG as well as information on LUs with a special role in the EG: Global group Head (GGH), Global Decision Center (GDC). The control relationships and the special roles are also important for the LCU in order to correctly attribute economic ownership.</p> <p>NSBR: national EGs, truncated national parts of GEGs, national enterprises, LUs which are part of the groups.</p> <p>EGR: GEG, national enterprises and LUs which are part of the groups. For the most important cases a step in the EGR cycle shall contain manual checks and updating of the group structure („Repair Action“).</p>	<p>For LCUs not definitely clarified (in the authors view). Which are the analytical units for LCUs? Most data is available today for LUs as observation units. In some countries also enterprise data is available. Special situation in external trade data? Central bank data?</p> <p>As long as the quality of EG data in NSBRs and EGR is not of very high standard, the statistical users of EG data (including profilers, who are looking for enterprises) have to do quality checks and repair of EG data as a pre-step to their ultimate proper statistical tasks.</p>
variables	<p>EG updating cares about structures: „Which LUs control which other LUs and build an EG?“</p> <p>The EGR receives from NSBRs NACE codes, employment and turnover for national sub-units of</p>	<p>LCU analyses a couple of economic variables provided by different statistical domains. This makes it necessary for LCU work to deal with potentially different concepts and to understand the comparability and of the</p>

	GEGs groups and adds them up to receive GEG figures for these variables.	data.
		NSBR and EGR: Only automated procedures to generate NACE code, employment and turnover for EG/GEG.
direct contact to respondents		LCUs discuss and clarify the issues they discover in direct contact with representatives of enterprise groups. These are often issues of data inconsistencies of different domain statistics and globalisation phenomena. In many cases there is no legal obligation for the EG to cooperate.
		NSBR and EGR: Mostly automated procedures of updating without direct contact to representatives of the EGs.
data sources	LCUs make use of the data of NSBR and EGR. Internet research Administrative registers Commercial data bases	LCUs make use of the data of several domain statistics.
		LCUs need as up-to-date data as possible. In order to discuss issues with representatives of the EG, LCUs should have access to the raw data of the domain statisticians (figures delivered originally in the survey).

Profiling – often situated in the Statistical Business Register

Profiling has – at least in the current decade – become the commonly agreed term in the SBR sphere for the **identification of enterprises**. Since the work of the ESSnet “Profiling of large and complex multinational enterprise groups” SBR people use the term “profiling” in this sense. The ESSnet (2015) concluded – among many pathbreaking results – that profiling of the most important cases should ideally be carried out as a manual, case-based work of experts in a top-down manner. Top-down means to start from an enterprise group and delineate the enterprises within the group. Profilers often are SBR people specialized in the

identification of enterprises. In some MS this task is carried out in other domains – e.g. structural business statistics - but in the end the enterprises are fed into the SBR in order to be used by statisticians of different domains.

What profilers see as an enterprise is defined in the EU regulation on statistical units (696/93). This regulation defines the enterprise as smallest combination of legal units which form an organizational unit producing goods and services. A task force of experts on statistical units has produced operational rules which shall help profilers in their work of detecting enterprises. The result of the work of this task force, which has been codified in a common declaration of the Directors of Business statistics and of Macroeconomic Statistics This paper (European Commission 2015) explains that the enterprise concept shall be applied in the EU statistics within national borders – i.e. enterprises are operationalized as “national enterprises”. The reasoning behind this is not an economic or conceptual one, but it reflects the fact that EU statistics produce statistical information about the MS. European figures are produced by summing up the figures about the MS.

As already said, profiling prefers the way „top down“. Starting from an enterprise group, manual profilers look for sub-units within the enterprise groups and these sub-units shall act with a sufficient degree of autonomy. Only as the next step the profilers sort the legal units of the enterprise group to the enterprises. Leaving aside for the moment the issue of splitting legal units, this results in an economic universe which consists of the statistical units ‘enterprises’ and ‘enterprise groups’ – both can be understood as economic actors - plus the legal units as administrative units which help to get a grip on the statistical units in practice.

LCU and Profiling of enterprises in the BR: Things in common and distinctions

issue	things in common	distinctions
target population		<p>LCU is restricted to very important enterprise groups.</p> <p>Profiling provides enterprises of all sizes. Manuel profiling cares for more important cases, all others are treated by automatic procedures or conventions (e.g. “enterprise group equals the enterprise”)</p>
relevant unit types	Whether enterprises in national boundaries are a relevant analytical unit for LCU has to be examined.	<p>For LCU not definitely clarified (in the authors view). Which are the analytical units for LCUs? Most data is available today for LUs as observation units. In some countries also enterprise data is available. Special situation in external trade data? Central bank data?</p> <p>Profiling describes enterprises. Starting point in top-down profiling is the EG. LUs of the EG are attributed to the enterprises.</p>

variables	<p>NACE code, employment and turnover of enterprises.</p> <p>Whether figures for these variables which have been generated by profiling are of interest for LCUs has to be examined.</p>	<p>LCU analyses a couple of economic variables provided by different statistical domains. This makes it necessary for LCU work to deal with potentially different concepts and to understand the comparability and of the data.</p> <p>Profiling examines structures: „Which enterprises contain which LUs?“ Manual profiling cares about the appropriate NACE code for enterprises and – if achievable with reasonable effort – employment and turnover of enterprises. In automatic profiling these three variables often are calculated from figures for LUs which belong to an enterprise.</p>
direct contact to respondents	<p>For LCUs direct contact to representatives is the common and regular case. For profiling direct contact is the exception in very important and complex cases. Whether these cases coincide has to be examined.</p> <p>If the cases coincide, the preparation of the contact should include close exchange of information between LCU and profiling. While the issues of LCU and profiling are quite apart from each other, the representatives of the EG may be the same. It has to be communicated properly that official statistics use different concepts for different issues.</p>	<p>LCUs discuss and clarify the issues they discover in direct contact with representatives of enterprise groups. These are often issues of data inconsistencies of different domain statistics and globalisation phenomena. In many cases the direct contact is carried out without legal obligation of the EG to cooperate.</p> <p>Profiling examines structures: „Which enterprises contain which LUs?“ Manual profiling cares about the appropriate NACE code for enterprises and – if possible with reasonable effort – employment and turnover of enterprises. Direct contact with EGs contains clarifications in exactly these matters.</p>
data sources	<p>Enterprise group data (structures) from SBR and EGR</p> <p>Annual Reports</p>	<p>LCUs need as up-to-date data as possible. In order to discuss issues with representatives of the EG, LCUs should have access to</p>

	Internet research Administrative registers Commercial data sources	the raw data of the domain statisticians (figures delivered originally in the survey).
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