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**STATISTICAL OFFICE OF THE
EUROPEAN COMMUNITIES (Eurostat)**

**CONFERENCE OF EUROPEAN
STATISTICIANS**

**Joint UNECE/Eurostat Seminar
on Business Registers
(Luxembourg, 25-26 June 2003)**

REPORT

INTRODUCTION

1. The joint UNECE/Eurostat Seminar on Business Registers was held in Luxembourg from 25 to 26 June 2003. It was attended by Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Kazakhstan, Latvia, Lithuania, Luxembourg, Mexico, Netherlands, Norway, Poland, Portugal, Republic of Moldova, Romania, Russian Federation, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, United Kingdom and United States of America. The European Communities (Eurostat) attended. A representative of the Organisation for Economic Cooperation and Development (OECD) also attended.
2. The provisional agenda was adopted.
3. Mr. John Perry (United Kingdom) was elected chairman and Mr. Hugues Picard (France) vice-chairman.

ORGANIZATION OF THE SEMINAR

4. The following substantive topics were discussed at the Seminar on the basis of invited papers and supporting papers:

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- (a) Development and harmonisation of the common glossary for business registers (standardization of definitions and terminology used in business registers).
- (b) Quality issues and coverage of business registers (maintenance of registers, births/cessations of units, change of activity, completeness of coverage, small area statistics, thresholds for registration).
- (c) Implications of globalisation on treatment of units in statistical business registers (relationship between registers and other Statistical Offices working on globalization, coverage of foreign affiliate companies, etc.).
- (d) Links between administrative and statistical business registers (use of administrative sources and exchange of information between statistical business registers and administrative sources, access to administrative sources including the legal environment).
- (e) Collection of information and further development of identity cards on business registers.
- (f) Uses and dissemination of information on business registers in member countries (access to registers, dissemination of information and their use in member countries).

SUMMARY OF THE DISCUSSION AND THE MAIN CONCLUSIONS REACHED AT THE SEMINAR

5. Recommendations for future work are given below. Other conclusions that the participants reached at the Seminar on the above topics are presented in the attached annex (in English only). They are also available on the web site for the meeting:
www.unecce.org/stats/documents/2003.06.busreg.htm

RECOMMENDED FUTURE WORK

6. Based on the proposal of a Steering Group on Business Registers the Seminar recommended that a future Joint UNECE/ OECD/ Eurostat Seminar be organised in 2005 in Geneva or alternatively in Luxembourg. The following substantive topics were considered of greatest interest for possible inclusion in the agenda of the next Seminar on Business Registers:

- (a) Development of a quality framework based on the business registers annual questionnaire, including measurement of convergence.
Expected output: Agreement on a quality framework.
- (b) Sharing of experience in planning the implementation of ISIC 2007 on the business registers.
Expected output: Inventory of national experiences.
- (c) Discussion of issues relating to complex multinational groups, based on specific cases.
Expected output: Review document of experiment led by Statistics Canada.

- (d) Use of the business register to support the demand for statistics on Small and Medium sized enterprises.
Expected output: Inventory of uses from Eurostat/ UNECE questionnaire; and review business register contribution to the Bologna Process.
7. The Seminar recommended that each topic be discussed in a separate session organised by a session organiser, selected in advance by the Steering Group.
8. The seminar also recommended:
- (a) Specific work be done with a view to publish a full set of key register indicators based on the 2003 Eurostat/UNECE questionnaire.
 - (b) To the CES to transmit to the ISIC Committee the requirement to set, as early as possible, a definite timetable for the completion of the classification and indexes for 2007, taking into account the need for the countries to make sufficient preparation for its introduction.
 - (c) The international organisations to work jointly on the glossary of business register terms that Eurostat has drafted and to agree on the management arrangements for maintaining the glossary.

ANNEX

Summary of discussion

UNECE/Eurostat Seminar on Business Registers Luxembourg, 25-26 June 2003

Items 1 & 2: Opening of meeting adoption of agenda and election of officers

1. Eurostat opened the meeting. Mr John Perry was nominated as chairman and Mr Hugues Picard as vice-chairman. Interpretation was provided in English, French, German and Russian.
2. In line with new procedures for all areas of work, UNECE had convened a steering group comprising Eurostat (Mr Daniel Defays and Mr Arto Luhtio), OECD (Mr Andreas Lindner), UNECE (Mr Jan Karlsson), UK (Mr John Perry - chairman), France (Mr Hugues Picard), Czech Republic (Mr Stanislav Palas), US (Mr Rick Clayton) and Russian Federation (Mr Alexander Kevesh). This would meet during the lunch break on 26 June. All would be present except for Mr Andreas Lindner and Mr Alexander Kevesh. The steering group would consider its terms of reference and report these to the joint meeting.
3. A short report of the joint meeting would be presented for agreement at the end of the session in English. Once agreed it would be circulated in English, French and Russian. Eurostat would prepare a full note with contributions from the session discussants added within two weeks of the meeting. This would be prepared only in English.

Item 3: Points for information by Eurostat and OECD. Open discussion on Eurostat methodology

4. A short oral summary of the preceding Eurostat Working Group (24-25 June) was presented for those countries that did not attend the working group.
 - OECD paper DSTI/EAS/IND/SWP(2002)20 supported by slides
 - OECD paper DSTI/IND/PME(2003)6 supported by slides
5. OECD provided information about their review of structural business statistics (SBS) and new co-operation with Eurostat as well as on the preparation of OECD SME Statistics Seminar on 17-19 September 2003 as part of the Bologna Process. OECD and Eurostat were preparing to sign a memorandum of understanding on 26 June on SBS. The OECD paper DSTI/EAS/IND/SWP(2002)20 provided background material. OECD had proposed three options for co-ordination of supply of SBS data:

- Countries send same data to both Eurostat and OECD (raising issues of confidentiality);
- Countries send data to Eurostat who treat for confidentiality and then send to OECD;
- Countries send data to Eurostat and also to OECD, with latter treated for confidentiality.

6. The second option was generally preferred and was being taken forward. UNECE welcomed this agreement. There remained issues of coherence, as some countries will supply enterprise level data while other will continue to supply establishment-based statistics. OECD recommends the enterprise (Eurostat) data but cannot enforce this. There would be some discontinuities in time series (1998 for SBS data). OECD would continue to collect some data that Eurostat did not require and felt Eurostat should consider extending its data requirements.

7. The Bologna Process related to information on SMEs. OECD paper DSTI/IND/PME(2003)6 covered the issues. The aim was to improve the quality and quantity of information available on SMEs and to have better co-ordination. The use of business registers and administrative sources was advocated, as well as surveys. Ministers supported the initiative. A meeting was planned for 17 to 19 September. The criteria for defining SMEs are country-specific.

Item 4: Development and harmonisation of the common glossary for business registers: standardization of definitions and terminology used in business registers

- Working Paper No. 2 (by Eurostat)

8. Eurostat had developed a draft glossary of terms and definitions for business registers, based mainly on its manual of recommendations and the general terms and definitions database CODED, but also on many other sources. It is accessible through Business Methods web site on the CIRCA web site (which is available to all). Eurostat will check the glossary against the glossary for business demography and then with CODED, as a large part of the terms are missing from CODED. Eurostat is also working closely with OECD to ensure consistency with the latter's glossary. Eurostat would be pleased to accept any suggestions for additions, corrections, or deletions, and not just from EU member states. The process for agreeing changes is through a CODED editor. It was not clear what the role of the UNECE could be in its development, this seems to need further consideration. There was some concern about the management control procedure that could result in glossaries diverging and multiplying.

Item 5: Quality issues and coverage of business registers

- Invited paper 1: Quality in the Swedish Business Register (Mr Henrik Romanov and Mr Joakim Lundin, Sweden) supported by slides
- Invited paper 2: Implementing NACE Rev. 1.1 in the Danish Statistical Business Register (Ms Mai Hyldahl Wessing, Denmark) supported by slides
- Working Paper No. 1 Bulgaria
- Working Paper No. 6 Italy

9. The discussant, Mr Harrie van der Ven, Netherlands, introduced the topic. The revision of the NACE in 2007 will be a major and complex operation. An official timetable for the completion of the classification and indexes is requested. The topic should be put high on the agenda of the statistical agencies and administrative agencies that use activity classifications. Moreover knowledge and experiences in implementation of the revision should be shared.

10. Quality of a business register is dependent on the quality of data from the sources. Quality is a matter of expectations between parties involved. Communication about those expectations is an essential point of quality management. Participants of the seminar express the need for a quality framework.

11. Statistics are produced on concepts, definitions and methods of measurement. Knowledge about and transparency of the concepts is an important aspect of quality management.

12. Projects on re-engineering of statistical registers should be based on a well-considered vision on the place and use of a register within a statistical system.

Item 6: Implications of globalisation on the treatment of units in statistical business registers

- Invited paper 3: The Census Bureau's Business Register: Basic Features and Future Directions (Mr Thomas Mesenbourg, United States)
- Working Paper No. 5 Italy

13. The discussant, Mr Giuseppe Garofalo, introduced the topic.

14. From an economic point of view, globalisation can be defined as "the integration of productive activities at international level". Globalisation, which is achieved by the increase of international labour division, is characterised by the decrease of territorial links between the residence of economic agent that owns the economic activity and the locations where these activities are established. The *multinational enterprise (MNE)* is the main actor of this process and the evaluation of the impact of globalisation, both on the world's and national's economy, requires statistical information on how MNEs organise their activities. The current

statistical and economic information (System of National Accounts, Balance of Payments, International Trade) based on the concept of the national territory, are not suitable for the purpose of globalisation analysis.

15. In the last decade, studies based on information collected by the US Bureau on Economic Analysis (BEA), considering the ownership criteria (and not the residency criteria) showed an impressive change from a deficit to a surplus of the cross border Trade of the USA.

16. International Agencies, including OECD and EUROSTAT, have made efforts to develop both the concepts and definitions and globalisation indicators. Now the discussion must focus on how to identify MNEs and how to collect economic data on MNEs. This could be by direct reporting or by a mixed approach that combines business register and enterprise survey data.

17. The two papers submitted to the session suggest different approaches to data collection. The invited paper, describing the new Standard Statistical Establishment List of the Bureau of the Census of United States, states that the business register does not contain any information on foreign subsidiaries or their associated establishments. This seems to confirm that, in the present situation, the USA approach is to use direct inquiries. The business register of Bureau of the Census, which contains more over than 22 millions of records, is probably the largest statistical business register in the world. The new and complex structure of the different units included in the business register makes it particularly flexible both in the updating activities and in the treatment of large units. The updating methodologies, which integrate information from both administrative and statistical sources, are of general interest. The discussion was based especially on conceptual and organisational differences between the US and European registers.

18. The supporting paper by Italy presents a methodological solution to collect information on the ultimate controlling unit of foreign controlled groups to support statistics on foreign affiliates. The solution adopted relies on a mixed approach, using the business register to identify potentially foreign owned enterprises and direct reporting to a focused population. This checks data quality of the register and acquires the additional information on the ultimate controlling unit.

19. On the question of how to identify a MNE, the discussion focused on the proposal of Statistics Canada presented at the Conference of European statisticians held in Geneva on 10-12 June 2003. The proposal suggests a project to develop, in an experimental way, measures of the activities of MNEs. The experiment could be based on volunteer national statistical organisations that would identify volunteer MNEs that are headquarters in their countries and that conduct operations in the other participant countries. Furthermore the proposal suggests that the UNECE ask the International Roundtable on Business Survey Frames to include this MNE Project as part of its working programme.

20. The debate ended with a general agreement on the proposal, which was considered as a good test for the standardised collection of information on transnational activities. However, tests on a voluntary basis could not lead to a solution that could be implemented. This would require a transnational statistical agency with the data-collection capability and authority of a national statistical office to measure properly the activities of MNEs. Within the European Union, the existing legal basis with the support of Member States, could lead to Eurostat managing the profiling of enterprise groups that carry out their activity in Member States.

Item 7: Links between administrative statistical business registers

- Invited paper 4: The Use of Administrative Data Sources for the Updating of the Polish Statistical Register (Ms Doroslawa Kurek, Poland)
- Working Paper No. 3 UK
- Working Paper No. 4 Poland

21. The discussant, Ms Tuula Viitaharju, Finland, introduced the topic.

22. Three papers, two from Poland and one from the United Kingdom had been prepared for the session. The Polish system was presented to the meeting.

23. The advantages of using administrative data are many. Cost-effectiveness and reduction of response burden are the most important ones. Total populations concerning a given phenomenon are usually included in administrative data files. The exhaustive coverage allows statistics to be produced by detailed classifications and small areas, etc. There are some preconditions to the use of administrative data in statistics production, too. A well-developed identification system and wide use of ID-codes, an advanced IT infrastructure in administration, as well as access to administrative files are just some of these preconditions.

24. The Polish example is the most encouraging one. Much progress has been made in co-operation with the Ministry of Finance in just a few years. The legal framework is also in good condition and a general unique business identity code is available in the administrative REGON register. The Statistical Office of Poland manages REGON, as well as a separate statistical BJS register.

25. The papers and the presentation gave the meeting a good perception of the Polish register system. They described how the REGON code is introduced into the administrative file of the Ministry of Finance and how linking tasks are done. As soon as a link is established between the REGON code and the NIP numbers (the Tax Identity Number) in the KEP system (National TaxPayer Registration Database), administrative data are made available to the Statistical Office. To allow the survey needs to be established and actively operating business units can be identified. So far, 71 per cent of the legal persons and as many as 86 per cent of the natural persons in the BJS who are engaged in business activities are equipped with NIP numbers. This means that the possibilities of obtaining up-to-date information on

the activities of units, and of eliminating over-coverage and creating unit stratification for surveys are reasonably good.

26. The UK case is another example of linking several separate administrative data files. The model was adopted after the Single Business Register project had concluded that a single identifier for all businesses for all purposes was not achievable. The technical architecture is planned on parallel use of the data contents of separate files. This will make the data service available for most government needs.

27. The quality of registers is very much influenced by the quality of their data sources. The meeting discussed problems related to the use of administrative files in statistics production. The causes for problems that can arise from dependence on administrative sources include differences in concepts, definitions and data contents, and the fact that changes in administrative files are out of statisticians' control.

28. The question of electronic data transfer was raised. It would speed data accumulation to and from administrative sources as well as direct from surveys. Examples were quoted from many countries.

29. A question was also raised about the application of demographic rules, especially to the use of administrative data and to business deaths. Eurostat stated that the pertaining rules and definitions are given by way of recommendations of the BR Manual and its Glossary, but that single algorithms are country-specific and should be adapted to national conditions.

Item 8: Collection of information and further development of identity cards on business registers

- Room document 1: Presentation of results of Annual Questionnaire on Business Registers - UNECE Business Register.doc

30. The UNECE room document supplemented the Eurostat summary of results for EU, EFTA and candidate countries that was available through BRNET. This document currently had restricted access. The UNECE paper covered 21 countries (CIS, Balkans, North America, Middle East). From 2004, UNECE is planning to extend the coverage to all OECD countries. The UNECE document was not yet on the Internet but would be added once countries had checked their responses.

31. In future, UNECE hoped to have a uniform presentation with Eurostat and urged Eurostat to release its own summary.

Item 9: **Uses and dissemination of information on business registers in member countries**

- Invited paper 5: Business Demographics: Measuring Job Creation and Job Destruction Dynamics Underlying Net Employment Change (Mr Richard Clayton, United States)
- Invited paper 6: Dissemination of Information on Business Registers in the UK (Mr John Perry and Mr Steve Vale, United Kingdom)

32. The discussant: Mr Hughes Picard, France introduced the topic.

33. The main uses of the statistical register are to conduct surveys, to mobilise data sources and to produce demographic outputs. The US BLS presented estimates of employment as a time series for the private sector. The estimates excluded private households. The estimates were based on the administrative personal taxation data. They are reported at the establishment (local unit) level. An establishment becomes active when employment goes from zero to greater than zero and becomes inactive when employment goes from greater than zero to zero. This leads to job construction for seasonal businesses, inflating the job destruction figures. The tax system seems to deal effectively with mergers, resulting in continuity of the pay tax scheme.

34. Mr Steve Vale presented the UK paper, which covered the outputs from the UK business register and discussed specifically the issue of confidentiality.

Item 10: **Future work**

35. During the lunch break, the steering group had met under the chairmanship of Mr John Perry and had agreed terms of reference that would be put to the UNECE for approval.

36. It was noted that the steering group would ensure that specific outputs were needed, not just papers for the next meeting. OECD confirmed that it wished to participate fully in the steering group and the next meeting in 2005. The future work had been discussed:

- Consider how the register questionnaire results could be published quickly;
- A mechanism that could be agreed for co-ordinating development of a glossary;
- The need for an IWG on business registers;
- Influencing the timetable for ISIC 2007;
- Contribute to the development of data for multinationals, trade statistics, agriculture and SMEs through exploiting the business register;
- Provide a formal link with other groups through OECD membership;
- Develop a quality framework jointly with Eurostat.

37. On the basis of this discussion, a draft future work programme was circulated to participants, who were asked for comments. The version included in the minutes was agreed.

38. The detailed final report will follow by the end of July. Discussants were reminded to send their contributions to Eurostat within two weeks.

Item 11: Other business

No other items of business had been notified.

Item 12: Adoption of the report

39. The meeting adopted the recommended future work and agreed the arrangements for completing the detailed report, which will be submitted to the Conference of European Statisticians.
