

Miscellany

Change in status of the United Kingdom Central Statistical Office

The Central Statistical Office became a “Next Steps” executive agency on 19 November 1991. The CSO thus became the 57th unit in the Civil Service to become an executive agency under an initiative which began about 2 years ago.

For the newly created agencies which are part of a larger Government Department, the change to agency status has meant the establishment of all the services required of an independent government department including, for example, personnel management and finance units. The CSO had, however, already become an independent department in July 1989 when it separated from the Cabinet Office, reporting to the Chancellor of the Exchequer as its responsible government minister.

The change to agency status for the CSO has involved the drawing up of a Framework Document which is a long, and rather detailed, public statement describing the agency’s responsibilities and targets. However, the CSO’s functions remain unchanged. That is to say the CSO is still responsible for the coordination of statistical work throughout central government as well as for the production of a number of important areas of statistics including the macro-economic series, balance of payments, consumer prices and so on.

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Developing a classification of services*

Introductory note

In the last few years, there has been a strongly increasing interest in statistical information on services. This is shown, for instance, by resolutions adopted by political bodies such as the Conference of Ministers for Economic Affairs of the federal Laender of Germany, which in 1986 requested the Federal Minister for Economic Affairs to suggest possible solutions for an improved presentation of services in official statistics. Also the German Statistical Society held its 1986 annual general meeting under the topic “Covering and analyzing services – a challenge to statistics”¹.

* Extracted from *Methods . . . Approaches . . . Developments 1/91*, Federal Statistical Office of the Federal Republic of Germany.

¹ The contributions to this meeting have been published in: *Allgemeines Statistisches Archiv*, Vol. 71, 1/1987.

The growing interest in statistical data on services is due, on the one hand, to the increasing quantitative importance of services to production and employment in the national economy. By now, more than half of the economically active persons are working in economic sectors other than production industries, agriculture, forestry and fisheries. In addition, more than 50 percent of gross value added is already produced outside these economic sectors.² On the other hand, the growing interest in statistical data on services is also due to the increasing qualitative importance that particularly modern services have for the maintenance of international competitiveness and for the development of new products and methods. Examples of such services are software development, data processing, engineering, leasing or research and development.

Moreover, an increasing division of labour between enterprises can be observed. Services that used to be rendered within an enterprise for its own purposes are now more and more bought from other enterprises that have specialized in rendering certain services or which, in addition to commodities, increasingly offer services (either combined packages of commodities and services or independent services) as part of their product range.

At present, official statistics are not in a position to sufficiently meet the demand for information on services.³ New concepts have thus to be worked out to improve the data supply.⁴ This includes developing the classification of services. The Industrial Classification of Economic Activities used by official statistics in the Federal Republic of Germany includes a detailed classification of institutions rendering services.⁵ A comparable nomenclature of service goods has however not been available so far.

Early in 1989, the United Nations Statistical Commission adopted the preliminary version of the Central Product Classification (CPC), part of which is dedicated to services. In the 1990s, the CPC will become highly relevant also to the Federal Republic of Germany through binding provisions adopted by the European Communities (EC). Therefore, particularly the CPC part covering services shall be presented in the following. First, however, a brief outline will be given of the conceptual definition of services and of the coverage of services by existing commodity classifications of official statistics.

Definition of services

When examining the term "services", it has to be exactly specified in each case whether one is dealing with:

² Cf. "Statistisches Jahrbuch 1989 für die Bundesrepublik Deutschland", p. 92f. and p. 545f.

³ A detailed description of the data supply on services and its inefficiencies is contained in Hermann, Ch.: "Das Datenangebot über Dienstleistungen in der Bundesstatistik", No. 3 of the series "Ausgewählte Arbeitsgrundlagen zur Bundesstatistik".

⁴ For details on the work to be performed see Reim, U.: "Zum Ausbau statistischer Informationen über Dienstleistungen" in *Wirtschaft und Statistik*, No. 12/1988, p. 842ff. Recently, two pilot surveys have been conducted on the possibility of covering services in production industries and in selected branches of the service industry. For detailed results see Mai, H.: "Dienstleistungen im Produzierenden Gewerbe = Testerhebung" in *Wirtschaft und Statistik*, No. 2/1989, p. 57ff., and Gnos, R.: "Dienstleistungsteststationprobe" in *Wirtschaft und Statistik*, No. 11/1989, p. 691ff.

⁵ Statistisches Bundesamt, *Systematik der Wirtschaftszweige mit Erläuterungen*, Edition 1979.

- service activities,
- service institutions or
- service goods.

Strictly speaking, the term “service activity” aims at the occupations of economically active persons. These occupations are determined by characteristic knowledge, skills and experience required for specific operations. This aspect of the term “services” shall not be examined in the following.⁶

The terms “service institution” and “service goods” are closely connected; a service institution is characterized by the fact that its main economic activity is rendering services. The definition of the “service good” thus also serves for delimitating the “service institution”.

In literature, quite a number of definitions have meanwhile been developed which always follow one of the three approaches below⁷:

- Listing of the goods which the respective author regards as services⁸:
However, this method generally does not specify the criteria by which the goods are listed, which means that often a certain degree of arbitrariness is involved. Nor does it solve the problem of what to do with services that the respective author did not or could not include.
- Definition by negative delimitation against material goods⁹:
This also includes delimitations characterizing services as immaterial and/or not lasting products. Services are thus becoming a residual category of the goods range. By this approach, the problem of definition is shifted to the delimitation of material goods, but not really solved.
- Definition by pre-set criteria¹⁰:
The delimitations vary between the individual authors, depending on the criteria employed. So far, there is no generally accepted definition. It may even be doubted that it will be possible to find a definition that can be used for every possible application.

In view of this situation, the question arises whether a statistical classification should and could be based on an explicit definition of services. Considering the discussion on the term “services”, it seems hardly possible at present to develop a generally accepted delimitation and take it as a basis for a classification of services. If, on the other hand, a nomenclature includes not only services but covers the whole range of goods, it is not necessary to develop an explicit definition – because, if some good is not included in one group of classification

⁶ These criteria determine the classification of occupations.

⁷ This differentiation is used e.g. by Corsten, H.: “Zum Problem der Mehrstufigkeit in der Dienstleistungsproduktion” in *Jahrbuch der Absatz- und Verbrauchsforschung*, No. 3/1984, p. 253.

⁸ An example of such an approach is contained in Stanback, T.M., jr.: “Understanding the Service Economy. Employment, Productivity, Location”, Baltimore, London 1979, p. 6.

⁹ See e.g. Gershuny, J.I./Miles, I.D.: “The New Service Economy. The Transformation of Employment in Industrial Societies”, London 1983, p. 23.

¹⁰ Including e.g. the well-known definition by Hill: “A service may be defined as a change in the condition of a person, or of a good belonging to some economic unit, which is brought about as the result of the activity of some other economic unit, with the prior agreement of the former person or economic unit.” Hill, T.P., “On Goods and Services”, in: *Review of Income and Wealth*, 4/1977, p. 318.

items, it will be covered by the other group. The delimitation between material goods and service goods is thus left to the users of the classification who can shape it according to their respective analytical purposes. This principle is also followed by the CPC.¹¹

Services in existing commodity classifications of German official statistics

The existing commodity classifications of official statistics in the Federal Republic of Germany do not cover all services, but only parts of them, depending on the respective purpose of the classification. The Classification of Receipts and Expenditure of Private Households (SEA)¹² used, among others, for the sample surveys on income and expenditure, contains only those services that are demanded by households. Services which are provided mainly for enterprises are not included, because they are not needed for the field of application of the SEA.

The Classification of Goods for Transport Statistics (GV)¹³ and the Commodity Classification for Domestic Trade Statistics (WB)¹⁴ cover only the services which are provided within the respective service sectors (transport and trade). Since, however, these services refer to commodities, they are covered by these classifications under the aspect of the specific demand for information on the economic sectors mentioned. Therefore these classifications are not service classifications in the narrower sense, but commodity classifications.

The Commodity Classification for Production Statistics (GP)¹⁵ comprises selected services whose collection for the quarterly production statistics is provided for in the Law on the Statistics in Production industries. This refers to repair, installation and job processing activities (Art. 2). A sufficient statistical presentation of the services provided by production industries is not possible in this way, as was shown by the pilot survey on the services rendered by production industries.¹⁶

Since the informational demand refers, above all, to the provision of services, it should be the main objective to supplement this classification – or its successor after a European harmonization of classifications – by a service part covering both services provided in production industries and in the service sector. Thus the methodological requirements in terms of statistical nomenclatures would be met for a statistical coverage of services.¹⁷

¹¹ Cf. United Nations, Final draft of the Central Product Classification (CPC), ST/ESA/STAT/SER.M/77, 29 September 1988, p. 9.

¹² Statistisches Bundesamt, Systematik der Einnahmen und Ausgaben der privaten Haushalte, Edition 1983.

¹³ Statistisches Bundesamt, Güterverzeichnis für die Verkehrsstatistik, Edition 1989.

¹⁴ Statistisches Bundesamt, Warenverzeichnis für die Binnenhandelsstatistik, Edition 1976.

¹⁵ Statistisches Bundesamt, Systematisches Güterverzeichnis für Produktionsstatistiken, Edition 1989. In addition to selected services of production industries, this classification contains also services provided at the production stage of agriculture and forestry as well as services for fisheries.

¹⁶ Cf. Mai, H.: "Dienstleistungen im Produzierenden Gewerbe", op. cit.

¹⁷ The existence of a classification is, however, just one requirement for conducting surveys on services. Further methodological problems will have to be solved such as the valuation of services, their periodization, the use of units of quantity and the like. It is also necessary to create or adjust legal foundations.

Development of the Central Product Classification of the United Nations

In the mid-1970s, a process of harmonization of classifications started on the international level, which has been terminated for the time being by the adoption of the Harmonized Commodity Description and Coding System (HS)¹⁸, the Central Product Classification (CPC) and the International Standard Industrial Classification of all Economic Activities (ISIC)¹⁹. While the HS serves above all purposes of customs legislation, the CPC is to form the basis of statistics that need a product classification, such as production statistics, price statistics, etc. Moreover, it generally permits the economic activities of the ISIC to be described by products. The commodity part of the CPC is based on the HS and applies the breakdowns and product descriptions of the HS for defining the contents of its positions. The HS thus provides the components that form the commodity part of the CPC.²⁰ The advantage is that no time-consuming elaboration of new product descriptions is necessary and that existing definitions can be drawn upon which have already been used in practice. Since no comparable preparations exist for services, the complete service part of the CPC had to be newly developed.

The CPC has five-digit hierarchical coding system. It comprises a total of ten one-digit items (including four for services), 69 two-digit items (including 27 for services), 291 three-digit items (including 93 for services), 1036 four-digit items (including 240 for services) and 1787 five-digit items (including 566 for services²¹. Table 1 shows the analysis of services at the two-digit level. The number of positions down to the five-digit level that are included in one-digit items is presented in Table 2.

The main criteria for classifying the goods in the CPC are the physical characteristics and the essential nature of the products. Essential characteristics are those that are inherent in the goods, such as the raw materials used, the stage of manufacture, the kind of their production, their intended use, the type of user, their selling prices or their storing properties. Through the ISIC, also the industrial origin has been accounted for²².

The Commodity Classification for Production Statistics (GP), however, uses an opposite hierarchy of criteria. The primary criterion of classification in this nomenclature is the production-related context (corresponding to the industrial origin). Other criteria are of secondary importance. One major reason for this different structure is certainly the use of HS components for the commodity part of the CPC. But it is also due to the fact that the CPC is to be suitable for any statistics which require a product classification, while the GP has been designed first of all for production statistics.

¹⁸ The HS became effective on 1 January 1988 and – through the Combined Nomenclature of the European Communities – determines the basic structure of the Commodity Classification for Foreign Trade Statistics.

¹⁹ For a detailed description of the harmonization process of the international classifications, see Ebensberger, H.: “Internationale Wirtschaftszweig- und Gütersystematiken und ihre Harmonisierung” in *Wirtschaft und Statistik*, No. 2/1986, p. 79ff.

²⁰ A consequence is, however, that the industrial origin could be included in the CPC only in so far as I. has been covered by the HS. Since there are only few headings in the HS explicitly showing e.g. products that are manufactured by certain processing methods (such as casting, forging), these products are not included in the CPC either. As a consequence, no products can be allocated to the respective economic activity.

²¹ Including positions for intangible assets, such as financial assets, patents, copyrights.

²² As has already been mentioned, this could be done – particularly for the commodity part – only in so far as the criterion “industrial origin” is included in the HS.

Table 1
Breakdown of the services in the Central Product Classification (CPC) at the two-digit level

6	Trade services; hotel and restaurant services
61	Sale, maintenance and repair services of motor vehicles and motorcycles
62	Commission agents' and wholesale trade services, except of motor vehicles and motorcycles
63	Retail trade services; repair services of personal and household goods
64	Hotel and restaurant services
7	Transport, storage and communication services
71	Land transport services
72	Water transport services
73	Air transport services
74	Supporting and auxiliary transport services
75	Post and telecommunication services
8	Business services; agricultural, mining and manufacturing services
81	Financial intermediation services and auxiliary services therefore*
82	Real estate services
83	Leasing or rental services without operators*
84	Computer and related services
85	Research and development services
86	Legal, accounting, auditing and book-keeping services; taxation services; market research and public opinion polling services; management and consulting services; architectural, engineering and other technical services*
87	Business services n.e.c.
88	Agricultural, mining and manufacturing services
89	Intangible assets
9	Community, social and personal services*
91	Public administration and other services to the community as a whole: compulsory social security services*
92	Education services
93	Health and social services*
94	Sewage and refuse disposal, sanitation and similar services*
95	Services of membership organizations
96	Recreational, cultural and sporting services
97	Other services
98	Domestic services
99	Services provided by extraterritorial organizations and bodies

* Due to a new draft of the CPC, there are text differences over against the German version.

The services contained in the GP have been allocated to the respective goods or groups of goods according to the criterion of industrial origin, whereas the CPC combines in the service part positions for contract work/job processing, repair and maintenance activities. In this case, the different weights of the criteria used result in differing breakdowns.

Presenting a service classification within the framework of the CPC meant to break new ground. This is why there have so far been prepared only preliminary drafts of the explanatory notes on the contents of the individual positions of the classification.²³ Such explana-

²³ As has been mentioned earlier, the explanatory notes of the Customs Tariff could be used for the commodity part.

Table 2
Degree of detail of the one-digit items of the Central Product Classification (CPC) in the service sector

Services	Number of			
	2-digit	3-digit	4-digit	5-digit
	items			
6 Trade services; hotel and restaurant services	4	11	32	132
7 Transport, storage and communication services	5	20	54	86
8 Business services; agricultural, mining and manufacturing services	9	40	93	231
9 Community, social and personal services*	9	22	61	117
6-9, total	27	93	240	566

* Due to a new draft of the CPC, there are text differences over against the German version.

tory notes are needed in order to be able to delimit the different services against each other with maximum accuracy and to allocate them to the respective positions.

Relevance of the service part of the CPC to the Federal Republic of Germany

So far, official statistics of the Federal Republic of Germany have had to regard international classifications just as more or less nonobligatory framework conditions. In future, however, the importance of these nomenclatures will change very much, because in the 1990s the national classifications will be replaced by uniform and binding provisions of the European Communities. The EC base these provisions on the UN classifications to which they made a major contribution.

In the course of this harmonization process, the Statistical office of the European Communities will first convert the CPC to the CPC.COM which is then to form the basis for the other commodity classifications of the Community and the member states. The Federal Republic of Germany, too, will have to observe this provision if a statistical survey of services should become reality, as is demanded by many users of statistical data. By setting up a service classification within the framework of the CPC, essential prerequisites in terms of nomenclatures have been created for such a survey. It should, however, be kept in mind that the existence of classifications is not the only requirement to be met. It is just as important to solve the other methodological problems and to create a legal foundation for surveys.