



UNITED NATIONS
ECONOMIC
AND
SOCIAL COUNCIL



Distr.
GENERAL

E/CN.3/367
9 January 1968

ORIGINAL: ENGLISH

STATISTICAL COMMISSION
Fifteenth session
Item 6 (a) of the provisional agenda

INDUSTRIAL STATISTICS

SUMMARY OF COMMENTS ON THE PAPER "PROPOSALS FOR
INTERNATIONAL RECOMMENDATIONS FOR A SYSTEM OF
INDUSTRIAL STATISTICS" (E/CN.3/366)

Report of the Secretary-General

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INTRODUCTION

The present paper consists of a summary of the more important comments received by the Secretariat on the draft recommendations for a system of industrial statistics contained in document E/CN.3/366 now before the Commission. It also includes for the consideration of the Commission a proposal for future work by the Secretariat on the revision and publication of these recommendations.

2. The proposals of the Secretariat were distributed for comments to selected national statistical offices and interested regional organizations in International Recommendations for a System of Industrial Statistics (ST/STAT/17). By the end of December 1967, comments had been received from Australia, Austria, Canada, Czechoslovakia, Finland, Hungary, Japan, Norway, Portugal, Sweden, United Kingdom of Great Britain and United States of America, and also from IASI, ECAFE and ECLA. In addition, comments on the proposals from a number of European countries and European organizations were submitted to the fifth session of the Working Group on Industrial Statistics of the Conference of European Statisticians held in Geneva from 4 to 8 December 1967. The views expressed at this meeting have been taken into account in the preparation of the present summary and the report of the meeting will be available to members of the Commission as a background document.^{1/}

3. The summary which follows is intended to provide a broad perspective of the views expressed on the draft recommendations of the Secretariat. It is largely confined to the representation of views which the Secretariat feels will be of interest to the Commission, relating in general to basic features of the proposed system. It does not normally include references to suggestions for minor modifications in the system itself or in the manner in which it is presented. The summary is arranged according to the sequence in document ST/STAT/17.

1/ Report of the Fifth Session of the Working Group on Industrial Statistics (Conf. Eur. Stats./WG.13/35 of 14 December 1967).

I. SUMMARY OF COMMENTS

A. Concept of proposed system

4. There was general agreement that the system proposed represented a significant advance over the previous recommendations,^{2/} particularly in the development of the concept of an integrated system of inquiries with the annual inquiry as the central inquiry of the system, and of the concept of separate provision in the recommendations for countries with limited statistical experience. At the same time, it was noted that, since the system was restricted to establishment-type statistics, the possibility remained of bringing it within the scope of a more general system covering both establishments and enterprises in the industrial sector. It was thought that some reference to this possibility would be appropriate in the introduction to the new recommendations.
5. The desirability of maintaining consistency at all points with the revised versions of SNA and ISIC was stressed in a number of comments. In the case of ISIC, this was a question not only of the classification of activity to be recommended but of the definition of the establishment and the treatment of the various forms of associated activity. In the case of SNA, the consistency requirement might have important implications for the definitions of the items of data to be gathered and for the delineation of the boundaries of the industrial sector.
6. It was accepted that the relationship between the various inquiries of the system might differ from country to country according to circumstances and needs and that in some countries the annual inquiry might comply fully with the proposed recommendations for infrequent inquiries. In general, however, it was felt that there would remain an important role for the infrequent inquiry as an extension of the annual inquiry either in terms of the more complete coverage of establishments or in terms of the collection of additional items of information. In this connexion, the suggestion was made that some further attention should be given in the paper to a discussion of the role of the infrequent inquiry in maintaining a complete directory of establishments and in providing a sampling frame for ad hoc and other special inquiries into the industrial sector as well as for the annual and more frequent inquiries of the proposed system.

^{2/} International Recommendations in Basic Industrial Statistics (Series M, No. 17, Rev.1) United Nations publication, Sales No.: 60.XVII.8.

B. Scope and coverage of the inquiries

7. The European Working Group agreed that it was not feasible to draw up any definite international recommendations on the coverage of the various inquiries because of the differences between countries in industrial structure, legal requirements and available statistical resources. As a general recommendation, however, it was felt that the annual inquiry should cover all large establishments and that the coverage should be sufficient to provide reliable and representative statistics for all branches of industry. The infrequent inquiry, on the other hand, should cover, in principle, all establishments or establishment-type units with the possible exception of household units which generally played an insignificant role in developed countries. If such units were significant in certain industries, the necessary data might be estimated and shown separately. Similar views were expressed by a number of countries not represented in this Working Group.

8. In the case of monthly or quarterly inquiries, a few countries suggested that the coverage criterion recommended in ST/STAT/17 paragraph 40 would not meet data requirements in all cases. Total coverage of the establishments involved might be recommended in the collection of certain types of information such as data on the production of selected commodities.

C. Statistical, reporting and tabulating unit

9. While there appeared to be general acceptance of the recommendation of the establishment as the basic statistical unit, it was felt that the application of the concept should be further clarified, particularly in the case of local units engaged in more than one kind of activity. In such cases, where it was not feasible to apply the ideal concept of the establishment, the unit might comprise the local unit as a whole or relate to specific parts of the local unit. Several countries thought that it was desirable to reformulate the discussion of the ideal concept of the establishment and of the operational definition of the establishment in order to provide a clearer distinction between what was theoretically desirable and what was practically feasible. In addition, these countries thought that the connexion between the different types of units should be indicated clearly in the final version of the recommendations.

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10. The question of the applicability of the draft recommendations to countries with centrally-planned economies was discussed at length by the European Working Group. The Group noted that while the basic statistical unit in the centrally-planned economies was normally the enterprise, these units were generally engaged predominantly in one kind of industrial activity. Data for such enterprises classified by kind of activity would thus be broadly comparable with data classified by kind of activity compiled by countries with market economies on the basis of the establishment. As a result, it was felt that the draft recommendations could be applied to countries with differing economic and social systems without major modification. The Group suggested that a paragraph dealing with the question should be introduced in the final version of the recommendations.

11. The Working Group also suggested that the kind-of-activity unit should be dealt with in more detail in the final document, particularly in terms of the concept and its definition and the circumstances in which it might be used as the statistical unit. It noted that while data obtained on this basis could not normally be classified by geographical areas and were not generally comparable to establishment-type data when classified by size of unit, the use of the kind-of-activity unit might yield more homogeneous data than could be obtained on an establishment basis, since in some countries the larger multi-unit enterprises organized their records not according to local units or establishments, but according to kind of activity. In certain circumstances, therefore, it might be more suitable to use the kind-of-activity unit than the establishment, particularly in monthly or quarterly inquiries.

D. Ancillary units

12. There was fairly general agreement that the discussion of ancillary activities in the draft recommendations should be amended to take account more adequately of the various practical possibilities. In this connexion, the European Working Group proposed that the existing definition of ancillary unit in ST/STAT/17, paragraph 54 should be modified to read: "An ancillary unit can be generally defined as one providing non-durable goods and services primarily or exclusively for the use of parent producing units(s) which do not become a physical part of the output of these units".

E. Secondary activities

13. While the proposed distinction between ancillary activities and secondary activities was felt to be quite satisfactory, some amendment to the text at this point was implied by the changes suggested in the case of ancillary units. In addition, the recommendation that "activities which are termed secondary should always be treated as separate units and classified to their own activity if the necessary data are available" (ST/STAT/17, para. 59) was felt to be too rigid since it did not allow for either the significance of the activity in question or the possibility of estimating the necessary data.

F. Items of data to be gathered and statistics to be published

14. While there was broad agreement on the structure of the recommendations at this point, some reservations were expressed on such matters as the general balance between the various types of inquiry, the distribution between them of specific items of data and the priorities accorded to the items in each case. In this connexion, it was noted that some countries intended to eliminate the infrequent inquiry effectively and to obtain the additional items of data recommended for collection in this inquiry by the ad hoc extension of the information collected in their annual inquiry.

15. It was widely felt that the priority categories indicated in the tables in ST/STAT/17 should be more clearly explained. In general, it was considered that items with priority 1 might be regarded as a minimum programme for statistically-developed countries and items with priority 2 as optional items which should be considered in extending the minimum programme. If small establishments in specific industries were included in the annual inquiry because they accounted for a considerable share of activity in these industries, the items of data indicated in the tables as second priority items "for all statistical units" should be given first consideration.

16. The most important comments on the items of data recommended for collection, tabulation and publication were the following:

(a) Employment. Though it was recognized that the distinction between "operatives" and "other employees" raised considerable practical difficulties, it was agreed that the distinction was useful and should be retained;

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(b) Compensation of employees. It was suggested that in view of the difficulties involved in obtaining information on "employee's contributions to social security, pensions and similar schemes" on an establishment basis, this item should be given priority 2 rather than priority 1 in both annual inquiries and infrequent inquiries;

(c) Fixed assets. It was widely considered that the collection of detailed information on purchases and sales of used fixed assets was not warranted by the practical importance of these transactions. It was, accordingly, suggested that the corresponding items should be given priority 2 rather than priority 1 for both annual inquiries and infrequent inquiries or, alternatively, requested with priority 1 in summary form;

(d) Capacity of power equipment. Since the interest in this item was thought to be small, it was suggested that it should be given priority 2 rather than priority 1 in infrequent inquiries;

(e) Total quantity of energy received or consumed. Attention was drawn to the problems involved in compiling figures on total quantity of energy consumed in terms of a common unit. In particular, it was considered difficult to determine the conversion factor to be used for electricity since this depended on the relative quantities used for driving electric motors and for producing heat. It was, therefore, suggested that the scope of the item should be restricted to the total quantity of "fuels" received or consumed and the quantities of the different fuels converted to a common unit on the basis of their average calorific values;

(f) Cost of non-industrial services. It was generally agreed that this item should be retained with priority 2 for both annual inquiries and infrequent inquiries;

(g) Indirect taxes and subsidies. It was suggested that this item should be given priority 1 rather than priority 2 in annual inquiries in view of its importance in deriving comparably valued measures of gross output and value added;

(h) Value of goods supplied or produced. While there was general agreement that information on the production or shipment of individual commodities was necessary, it was thought by some countries that the number and selection of these commodities should at this time be left largely to the discretion of the countries

themselves. On the other hand, it was recognized that information on specified commodities was now required for international reporting purposes and that in the near future a more general standardization of reporting would be desirable. The development of a standard commodity nomenclature and classification was, therefore, envisaged as an important supplement to the recommendations;

(i) Value added. The suggestion was made that the title of this item should be changed to "value added or net output" and that it should be left to individual countries to decide whether to publish figures for census value added, contribution to gross domestic product, or net output, according to the nature of the available data. The publication of the net output measure would, of course, imply the addition of information on depreciation as part of the system.

G. Definitions of items of data to be gathered

17. While the proposed definitions of items of data to be gathered and statistics to be published were found to be generally satisfactory, a number of suggestions were made for their amendment:

(a) Statistical Unit - type of ownership. The European Working Group noted that some countries regarded the co-operative form of organization as a type of ownership rather than as a type of legal organization and suggested that establishments of this kind should be shown as a separate category in the classification by type of ownership;

(b) Statistical Unit - number. The view was expressed that where small units were enumerated on a sample basis, there was a need, at least at infrequent intervals, for data on the total population of such units, the number of units making returns, and, if possible, the sampling fraction also;

(c) Statistical Unit - size. The suggestion was made that the category "1,000 and over" recommended in ST/STAT/17, paragraph 93 for use in the size classification of statistical units should be divided as follows: 1,000-1,999, 2,000-4,999, 5,000-9,999 and 10,000 and over;

(d) Fixed assets - time at which expenditure takes place. While it was recognized that the exclusion of progress payments from expenditure on fixed assets (ST/STAT/17, para. 117) was in line with the treatment proposed in the draft

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revised SNA (E/CN.3/356), there appeared to be a consensus in favour of the amendment of these recommendations, largely for practical reasons. It was emphasized, however, that both concepts of expenditure were useful for analytical purposes, the first (including progress payments) in studying the financial aspects of capital formation and the second (excluding progress payments) in measuring the increment in productive capacity;^{3/}

(e) Value of stocks - raw materials etc. Divergent views were expressed on the treatment of stocks of goods expressly purchased for resale. The predominant view appeared to be that if these goods were reported as part of inventories they should be included as "finished goods" rather than as "raw materials..." and reported separately in this category.

(f) Value of stocks - work in process. It was noted that the recommendations at this point would require amendment if the suggested change in the treatment of progress payments were adopted;

(g) Orders. It was generally agreed that the definition of "net new orders received" in ST/STAT/17, paragraph 180, should be changed to read: "This item is defined as the current value of all new orders received during the inquiry period less cancellations during the period".

II. PROPOSAL FOR FUTURE WORK

18. This general review of the comments made on the draft recommendations indicates that while no basic changes in their scope and content are required at this time, a number of amendments and additions should be made to the text of ST/STAT/17 to clarify the role, objectives and application of the system, to ensure consistency at all points with the revised versions of ISIC and SNA and to take

^{3/} At its third session, the Expert Group on the Review of National Accounts and Balances concluded that "work put in place in the construction of structures, roads, dams and other projects during a period of account should be **classed as the fixed capital formation of the unit for which the construction is carried out, whether or not the project is completed**". (E/CN.3/357, para. 81).

account of other important substantive changes which have been suggested. The above paragraphs give a broad indication of the nature of the changes which the Secretariat proposes to make.

19. On the basis of this review of the comments received on the draft recommendations in ST/STAT/17 and in the light of the plans of the Secretariat for further work in this field, the Statistical Commission may wish to request the Secretary-General (a) to revise document ST/STAT/17 along the lines indicated in the present paper, taking account of the views expressed by the Commission at its fifteenth session, and (b) to publish the revised version of the document as a new manual of international recommendations in the field of industrial statistics superseding International Recommendations in Basic Industrial Statistics.^{4/}

^{4/} Op. cit.