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New business register and data collection system at the Hungarian CSO

Paper submitted by the Hungarian Central Statistical Office¹

Short history

1. After the new Hungarian corporate law came into force on 1 January 1989, one of the most dramatic changes in the Central Statistical Office took place in operating and maintaining the HCSO business register which was designed for the business population (mostly state-owned enterprises and cooperatives) of the 70's and 80's. (Some 30000 by the end of 1990). At the moment the number of units exceeds 1 million, including mostly sole proprietors. In the transition period other registration agencies, e.g. Tax and Auditing Office, Registration Courts and the Social Security system had to cope with the same workload. It is not surprising that the coordination between the agencies mentioned above had not had high priority. In the case of the HCSO this tremendous work had to be done with the same register staff and obsolete computer technology. According to a survey presented at the Work Session on Business Registers (Geneva, 1993), transition countries reported that there were between 5 to 20 staff in the central office and on average 1 person in each regional office dealing with registers. It means that these countries were faced with the lack of resources in particular if we consider that they had their own registration process, requiring a lot of clerical work.

2. The major weaknesses of the 'old' register were as follows:

- it identified the enterprise only;
- it was not capable of handling more workplaces (local units), nor more activities;
- because of the obsolete and frozen computer programs it was not flexible enough to meet new requirements.

3. The need to have a new business register which (i) covers almost every actor of the Hungarian economy; (ii) contains the statistical units according to the EU regulations; and (iii) is based on new computer technology, was a

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substantive subject of many internal and international debates, discussions and proposals from the very beginning of the 90's.

3. After a few years idle period, it was in 1996 when the implementation of the new register could really start. By that time, the CSO succeeded in agreeing with the Tax and Auditing Office on the division of labour in the registration processes, in acquiring the new computer technology from Phare-fund and learning it, and last but not least in assembling a development staff for implementing the register.

Legal Authorisation

4. The Statistics Law (12 May 1993) and the Law on the Modification of the Laws concerning the Use of Tax, Social Security and Personal Identification Numbers (3 July 1996) state that:

"The task of the CSO among other things is to operate a statistical (business) register and to maintain a business directory on the basis of the register. In order to register the data suppliers the register contains the name, statistical code number, criterion for creating statistical groups, the necessary basic data for that, address and mailing address, phone, fax, etc. numbers of legal and natural persons carrying out economic activities (corporations, partnerships, sole proprietors and other groups) ... With the exception of the basic data necessary for creating statistical groups the register is public."

5. According to the Statistics Law "the CSO is authorised to use data ... registered by other bodies of the national statistical service (including e.g. ministries, Tax and Auditing Office) for statistical purposes."

Conducted Censuses

6. As the HCSO is planning to introduce NACE Rev.1 from 1998, an economic census covering the whole register population was conducted in mid-1997 to reclassify the units according to the new classification system. The census made possible also to hold data on the register on multi-sites and multi-activities of the units.

7. The major data items of the census form were as follows:

- IDs, names and addresses, phone, fax numbers;
- activity status (active, non-active because ...);
- turnover and number of employees by activity (at 4-digit level);
- list of activities by local units for units with over 10 employees.

8. In 1996 a census was conducted to enumerate the local units of enterprises operating in the retail trade, hotel and restaurant sections as the previous register did not hold data on local units. In order to reduce response burden, the units in these sections did not have to fill-in the local unit related part of the 1997 census questionnaire. The data collected constitute a part of the CSO register, called SHOP subregister. For updating the subregister a special quarterly survey was introduced from October 1997, the data suppliers of which are the local governments which send paper forms or files to the CSO on new entrants, modifications and cessation. In each settlement under the control of a local government, there is a numbering system for the local units commonly used by the CSO and the government. The form contain information on each local unit and also the identification number of the enterprise to which the local unit belongs. It

is this enterprise-ID which is the link between the CSO register and its subregister.

The SME (Small and Medium Enterprises) sector

9. According to a Government decree (June 1996) it is the task of the CSO to develop an information system which could be used for surveying the SMEs. In this system the observation of enterprises over 9 employees has to be solved within the statistical system by using such a sampling methodology which allows to provide reliable estimates for the enterprises with 5-49 employees what was a crucial point in the past. For smaller enterprises, the necessary information has to be provided from different administrative sources (e.g. Tax and Auditing Office, banks, chambers etc.) by secondary processing of available files.

What has been changed ?

10. *Extended content of the register :*

identification number (ID);
random number (for synchronised sampling);
names;
addresses (4 addresses can be recorded);
data on the manager;
way of formation;
start and end of operation;
start and end of temporary cessation;
activity status (according to registration forms);
main activity (4 activity codes can be recorded);
legal form;
number of employees;
employment;
size class in terms of employment;
turnover;
turnover category;
capital composition,
way of taxation;
predecessors;
successors;
statistical status (activity status on the basis of statistical survey feedback).

11. It is worth mentioning that the activity codes and size classes are in harmony with the EU standards. Transformation keys are used to convert geographical codes between the Hungarian system and NUTS.

New statistical units

12. It is now supposed that the equivalency has been established between a legal unit and an enterprise, but those enterprises which are linked to more legal units are flagged.

13. A few hundred of the largest enterprises are divided into Kind-of-Activity units. Though the KAUs have independent ID (with the same structure as that of the enterprises) and may have separate address where appropriate, the questionnaires are always mailed to the enterprises. In 1997 a pilot survey was conducted to test whether the enterprises are able to fill-in the questionnaires according to KAU requirements.

14. As far as local units are concerned, their scope is still limited to the sections of the the SHOP subregister mentioned above.

Agreement with the Tax and Auditing Office

15. As a recent procedure, the basic source is data collection (element of the National Statistical Data Collection Programme) of the CSO, which is based on the registration process of the Tax and Auditing Office. One copy of the tax registration form is given to the CSO. For closures, a special data source is a Gazette issued by the Registration Court but for companies and partnerships only. For sole proprietors, the source is the data collection mentioned above. For updating purposes other tax files (i.e. corporate tax, profit tax, VAT), statistical surveys (e.g. employment) are also used. Important development is the improvement in survey feedback. Addresses, activity status, activities and size data are variables of particular importance.

16. The registers of the Registration Court, National Health Insurance (former Social Security) and Chambers are to be mentioned as potential sources in the future.

Handling of events

17. The data items or item groups are recorded with a date stamped on the register. Effective dates are also recorded where necessary. For updating purposes, a code of the information source is used and there are priority rules using this source code to update a variable in a specific case.

On-line updating system

18. An on-line updating system has been installed which works at each regional office (19) with a link to the central data base. The CSO retained its registration process for the corporation sector (some 311 000 of which 261 000 were active at end of 1997) and the registration forms of the corporations are processed in the presence of the applicants at the regional offices. For partnerships, sole proprietors and other units the updating is based on the tax registration procedure in batch mode. A new development is that the Tax and Auditing Office provides changes in files to the CSO every week.

The Data Collection System

Reporting units

19. With the exception of the retail, hotel and restaurant sections the reporting units are the enterprises independently of the fact that in certain cases and with certain periodicity a local unit, an activity or location/activity can be the target of the observation.

Common and detailed variables

20. Within the strategic development objectives of the HCSO an unified and integrated statistical data collection system which meets EU requirements has got high priority. In the Council Regulation (58/97) concerning business statistics and a future Council Regulation concerning short-term indicators (which has a draft version at the time of writing the paper) common and detailed industry-specific modules are defined. Eurostat defines a set of

general variables (indicators) concerning the sections C-K, M-O in NACE Rev. 1 which are covered partly by surveys for short-term indicators and partly by the annual structural survey. Most data within the common module provides information for production, use and income in compiling national accounts. These variables relate to the following fields:

- data for updating register variables;
- labour;
- material and other costs of production;
- sales;
- investments;
- R & D.

21. The detailed industry-specific modules define the specific variables of a given industry, with the definition of the observation unit.

22. Though most of the variables prescribed in the regulations are used in the practice of the CSO (e.g. by questionnaires, using data from tax returns etc.) not all needs could be met, because the observation level or scope differs from what is desired. In the new data collection system the aim is that the set of questionnaires (who gets what questionnaires) has to be assembled in a way that all necessary data from each respondent are available free of redundancy.

23. The data on the common variables have to be collected in the same manner, i.e. the general variables should cover the same survey population with the same deadline, and the questionnaires relating to specific industry-specific variables have to supplement the common module where necessary. Data of common and detailed modules must not be mixed. This way of organizing the data collection makes it necessary to define responsibilities across departments and better management from the department responsible for coordination of surveys.

Preprinted information and OCR (Optical Character Recognition) technology

24. There are preprinted data on the questionnaires of the common module and there is an intention to use OCR technology instead of data entry programs whenever possible.

Organisation

25. The responsibilities are outlined below:

Responsibility for determining variables	Responsible CSO department
Register information	Data Collection and Methodology
Labour data	Coordination
Costs of production	Standard of Living
Sales	National Accounts
Investments	National Accounts
Environment protection indicators	National Accounts
Data on R & D	Agriculture and Environment
	Statistics
	Standard of Living

26. Responsibility for the survey implementation:

NACE Section Code	Responsible CSO department
C,D,E	Industrial Statistics
F	Industrial Statistics
G	Service Statistics
H	Service Statistics
I,	Service Statistics
J	National Accounts
K	Service Statistics
O	National Accounts

The questionnaires of the common module

27. By and large the common module includes the following annual and sub-annual surveys:

- investment;
- industry (manufacturing);
- construction;
- employment;
- production and costs for GDP;
- labour.

In fact, the annual structural survey is covered by the surveys above.