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EUROPEAN COMMISSION
EUROSTAT

Directorate G: Business and trade statistics
Unit G-1: Coordination and infrastructure development

WORKSHOP

STATISTICAL UNIT “ENTERPRISE”

9 and 10 September 2019

9 September 09:30 – 17:45

10 September 09:30 – 16:00

BECH Building, Room Ampère

Programme

Day 1

<p>1. Welcome</p> <p>The objective of this meeting is to exchange experiences on the implementation of the statistical unit “enterprise” in statistical business registers and business statistics. More advanced countries will present the methods developed and we will also learn about the impact on the resulting business statistics and how to communicate the changes to the users. We will discuss problems encountered when implementing the statistical unit “enterprise” with a view to trying to achieve agreement on a common approach.</p>	<p>09:30-09:45</p>
<p>2. Implementation of the statistical unit "enterprise"</p>	
<p>a) <u>Overview of guidance at EU level</u></p> <p>Eurostat will give a short overview of the guidance existing at the EU level regarding the correct implementation of the definition of the statistical unit "enterprise"</p> <ul style="list-style-type: none"> • Joint DMES/BSDG Notice of intention (incl. operational rules) • European profiling incl. SPEs, HO, HC • Automatic profiling • Business registers Recommendations Manual • Consolidation of SBS variables <p><i>Discussion point:</i></p> <ul style="list-style-type: none"> • What further guidance at EU level is missing and would be useful? 	<p>09:45-11:15</p>
<p><i>Coffee break</i></p>	
<p>b) <u>Implementation of the statistical unit "enterprise" in the national business register/Delineation of enterprises: national experiences</u></p> <p>In order to be able to produce business statistics on the statistical unit "enterprise", this statistical unit should be correctly implemented in the national business register as a first step. Member States will present their methods for identifying/delineating national enterprises in national profiling of domestic enterprise groups as well as national parts of national profiling of domestic enterprise groups</p> <ul style="list-style-type: none"> • Presentation of Statistics Denmark on Intensive profiling • Presentation of ISTAT on most appropriate combination between manual and automatic profiling methods • Presentation of CBS Netherlands on the Dutch national profiling practice • Presentation of Statistics Sweden on top-down vs. bottom-up approaches for automatic profiling • Presentation of DESTATIS on handling of quasi-enterprises <p><i>Discussion points</i></p> <ul style="list-style-type: none"> • Top-down versus bottom-up approach for automatic profiling and impact of the choice • Strategies for determining which enterprise groups to profile intensively/automatically and their impact 	<p>11:30-15:30</p>

Lunch break	12:45-14:00
<p>b) <u>Implementation of the statistical unit "enterprise" in the national business register/Delineation of enterprises: national experiences</u></p> <p><i>Practical problems encountered when delineating enterprises/profiling enterprise groups to be discussed in smaller groups in breakout sessions (2x 30 min)</i></p> <p>The following questions should be considered:</p> <ul style="list-style-type: none"> • Session 1: Questions regarding the profiling methodology <ul style="list-style-type: none"> ○ Have any countries split legal units with ancillary activities? ○ How to treat financial parts of non-financial groups in profiling (what if there is more than one financial legal unit in the group?) ○ How to delineate enterprises in the case of legal units (as part of an enterprise) whose main activity is outside the SBS scope e.g. agricultural activities? ○ How to treat family owned groups – several groups controlled by different family members, which are not linked by legal control relations, but nonetheless de facto form one big group with a common public appearance? ○ How to treat several legal units owned by the same natural person? • Session 2: Enterprises resulting from profiling <ul style="list-style-type: none"> ○ How to treat inactive legal units? Should they be part of enterprises? ○ How to decide on the NACE Rev 2 code, county/regional (NUTS) code, ESA code, legal form,... of the enterprise? • Session 3: Enterprises that are part of multinational enterprise groups <ul style="list-style-type: none"> ○ How to treat branches and how to ensure that they are consistently treated across countries and there is no double counting at EU level? ○ How should SPEs, Head offices and holding companies be treated? Is this consistent with what is required for the national accounts? • Session 4: Difficult profiling cases signalled by countries (See Annex) <p>The outcome of the different sessions will be presented to the plenary</p> <ul style="list-style-type: none"> • Presentation by Eurostat on the results from European Profiling (Interactive Profiling Tool data) 	<p>15:30-16:30</p> <p>16:30-17:20</p> <p>17:20-17:45</p>

Day 2

<p>c) <u>Implementation of the statistical unit "enterprise" for quantitative variables</u></p> <p>Domains such as SBS and FATS cover quantitative variables (turnover, value added, number of employees,...). Quantitative variables can either be directly collected from the statistical unit "enterprise" or alternatively be calculated on the basis of data collected from other reporting units (mainly legal units). When calculating the enterprise data on the basis of data available for other reporting units, a distinction needs to be made between additive variables (for which the enterprise data correspond with the sum of the data of the legal units constituting the enterprise) and non-additive variables (for which the enterprise data correspond with the sum of the data of the legal units constituting the enterprise corrected for intra-enterprise transactions).</p> <p>Several countries will present their practices:</p> <ul style="list-style-type: none"> • Presentation of Statistics Austria on their national approach for implementation of the statistical unit "enterprise" for quantitative variables • Consolidation of legal unit information on quantitative variables Presentation by DESTATIS on their method for imputation of missing data and the consolidation • Presentation by INSEE on the algorithm for automatic consolidation • Presentation of ISTAT on their national approach for implementation of the statistical unit "enterprise" for SBS variables <p><i>Discussion points:</i></p> <ul style="list-style-type: none"> • Choice of methods: <ul style="list-style-type: none"> ○ What is the best approach: direct surveying or automatic consolidation? ○ Practical problems encountered when surveying enterprises directly ○ Are administrative sources available that contain information on intra-enterprise flows? • Automatic consolidation: <ul style="list-style-type: none"> ○ Is the simple addition/sum of variables as proposed and used in some cases of automatic consolidation a good solution? ○ Can algorithms for automatic consolidation of SBS variables be shared? ○ Is it necessary to consolidate flows between vertically integrated ENT? ○ Is the list of ancillary activities complete? Why are some activities not included in the list e.g. retail trade? Can the Input-Output models be used to identify the industry-links? • Consolidation principles <ul style="list-style-type: none"> ○ For which variables (including FATS and Business Demography) is there still guidance needed with respect to their consolidation? ○ Are re-routed transactions (which are sold abroad and re-sold back to a domestic affiliate) to be consolidated? 	<p>09:00-11:30</p>
<p><i>Coffee break</i></p>	<p>11:30-11:45</p>

<p>d) <u>Implementation of the statistical unit "enterprise" for qualitative variables</u></p> <p>In domains such as ICT, Innovation, R&D and Global value chains qualitative variables are collected. For these statistics the data can be directly collected at the level of the enterprise as a reporting unit. If the reporting unit is different from the enterprise (for instance the legal unit), the qualitative variables cannot, contrary to the quantitative variables, be calculated based on the addition of the survey results for the legal units, but other methods of consolidation need to be used.</p> <ul style="list-style-type: none"> • Presentation of Statistics Sweden on delineation of enterprises in cooperation with different domains so that information for all business statistics can be collected at the level of the enterprise • Presentation of Statistics Slovenia on issues that arise when delineating enterprises to be used by domains where the enterprise is the observation unit • Presentation of INSEE on their current reflections, the different alternatives tested and the lessons learned with respect to enterprise statistics on qualitative variables <p><i>Discussion point:</i></p> <ul style="list-style-type: none"> • Direct collection of enterprise qualitative data vs. consolidation of legal unit qualitative data 	11:45-13:00
<p>3. <u>Impact of the improved implementation of the statistical unit "enterprise" on business statistics and communication to the users</u></p> <p>It is clear that the improved implementation of the statistical unit "enterprise" will impact business statistics. The users of these data need to be informed on the possible breaks in time series. National studies on the impact of the different methods and experiences of communication to the users will be presented.</p> <ul style="list-style-type: none"> • Presentation of INSEE on the impact of the improved implementation of the enterprise in business statistics and their communication to the users • Presentation of Statistics Sweden on communication to the users <p><i>Discussion points:</i></p> <ul style="list-style-type: none"> • What are the Implications on National Accounts (can national experiences/practices be shared?) • In some cases there are two different types of business statistics – those that are provided to Eurostat and those that are disseminated nationally: what is the relevance of these types of statistics, with different approaches? • What are the best channels, timing, form to communicate the breaks in times series resulting from the better implementation of the enterprise? • How can the concept of enterprise be explained in a user-friendly way? (definition of regulation 696/1993 is not very user-friendly...) 	14:00-15:30
<p>4. <u>Conclusions and closing of the workshop</u></p> <p>After the workshop:</p> <ul style="list-style-type: none"> • We will have Identified issues related to the implementation of the statistical unit “enterprise” for which guidance at EU level needs to be developed. • We will have learned about good practices for implementing the statistical unit “enterprise” in statistical business registers and business statistics • We will have found common solutions for problems encountered during the 	15:30-16:00

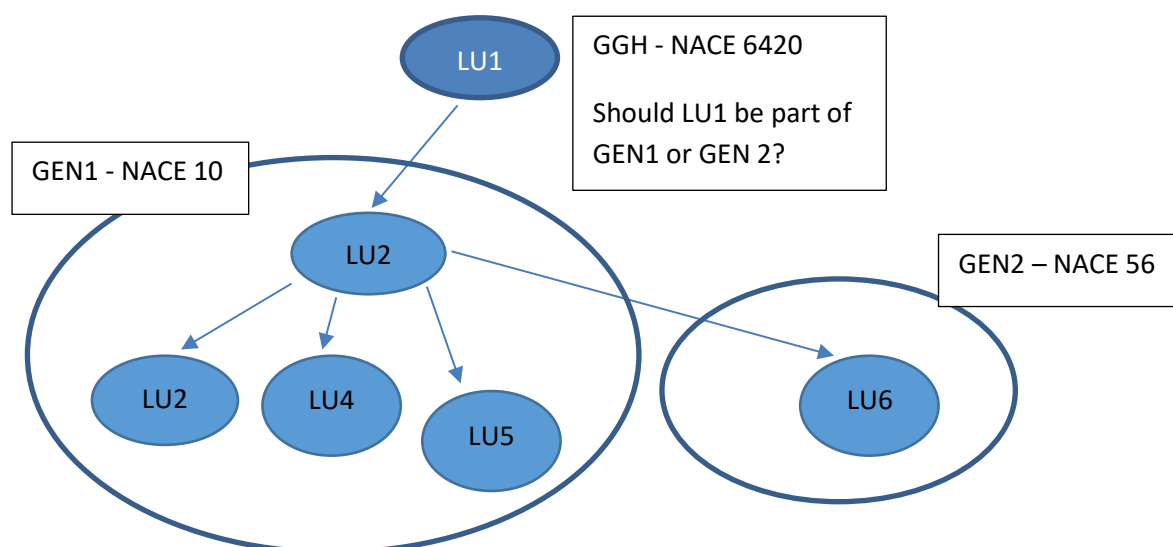
implementation of the statistical unit “enterprise”.

- We will have an idea of the impact on business statistics and the comparability across countries of different methods.
- We will know how to communicate the changes to the users.

Annex: Concrete cases to be discussed during breakout session 4

CASE 1

Structure of the group is following:



LU 1 – (GGH) is classified in 6420, with no employees and no turnover.

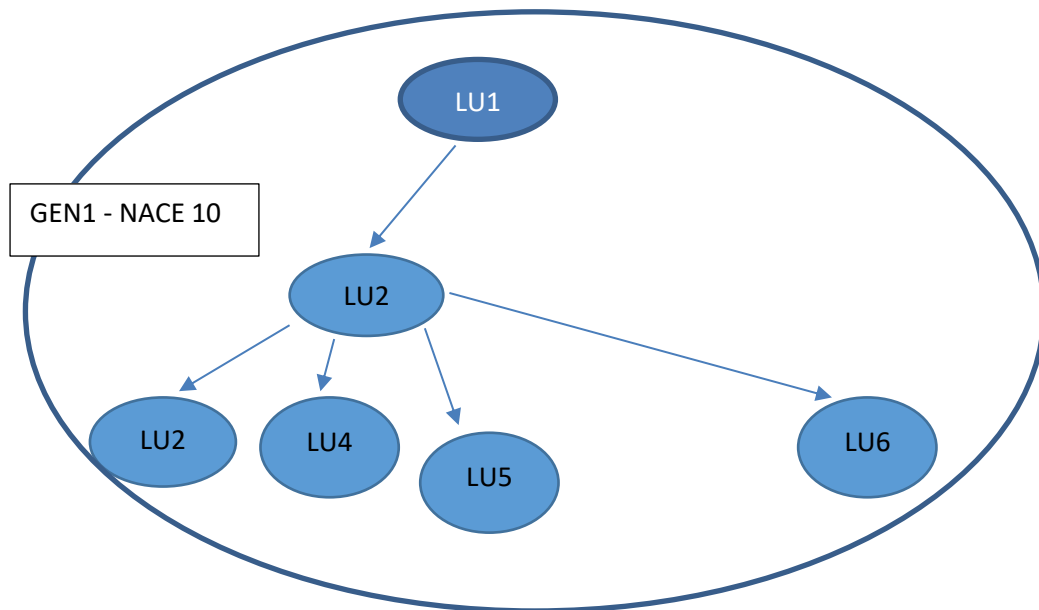
LU 6 was up to 2016 in NACE 5630 and had 24 employees.

- In 2016, LU 6 formed a separate enterprise because it behaved as independent unit in specific activity.
- Should LU1 be part of GEN 1 due to the ownership over LU2?

From 2017, activity of LU 6 changed into 6820. There were no employees, but turnover was still reported.

Starting from 2017, LU 6 is not independent anymore and it is controlled by LU2.

- Should all LUs be part of one GEN1 in 2017?



How should this situation be reflected in Business Demography if GENs are equal to TENs?

In 2016 - there were 2 active enterprises

In 2017 - there was 1 active enterprise

- one enterprise become inactive (GEN 2 /TEN 2), but is not considered as *death*

Let us presume two situations in following years (LU 6 is all the time member of the group):

Situation 1:

In 2018, LU 6 become independent again (in decision-making), hire employees and resume activity 5630.

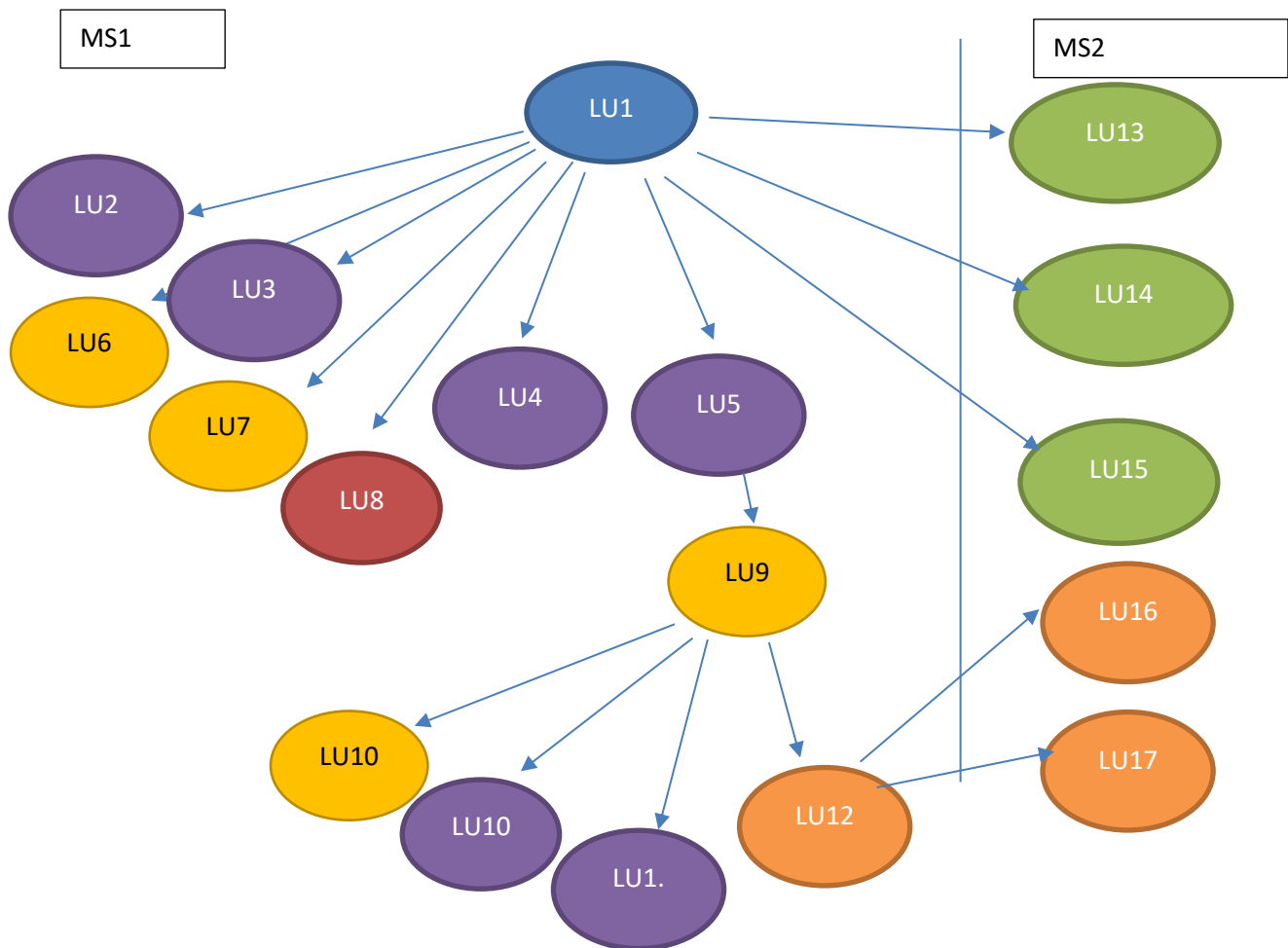
What will happen with enterprises? – Shall we reactivate TEN 2?

In BD we will have again 2 active enterprises and no births (because of reactivation).

Situation 2:

In 2019, LU 6 become active and independent (in decision-making), with former activity 5630 after 2 years of being part of TEN1. Will it become TEN 2 again (no birth) or TEN 3 (real birth)?

CASE 2



Group is involved in shipbuilding as main activity.

LU1 is GGH and GDC, situated in MS1.

GGH owns several LU in other countries – mainly selling shipping services (grey) and owning ships (green).

LU 1 has direct ownership over LU2 – LU8

LU 5 formed a branch with several levels of ownership beneath itself.

Legal units in yellow colour are involved in shipbuilding industry (each legal unit is dealing with specific task of shipbuilding)

Legal units in green are involved in shipping services. LU 16 and LU 17 (and some more) are registered in Marshall Islands and are owners of ships.

LU 8 – orange is NACE 8559

How many TENs do we have here and is it possible to combine all yellow units into one TEN although they are not part of the same “branch”?

Is LU 8 separate TEN due to the different activity? This education unit is probably established mainly for the needs of the Group.

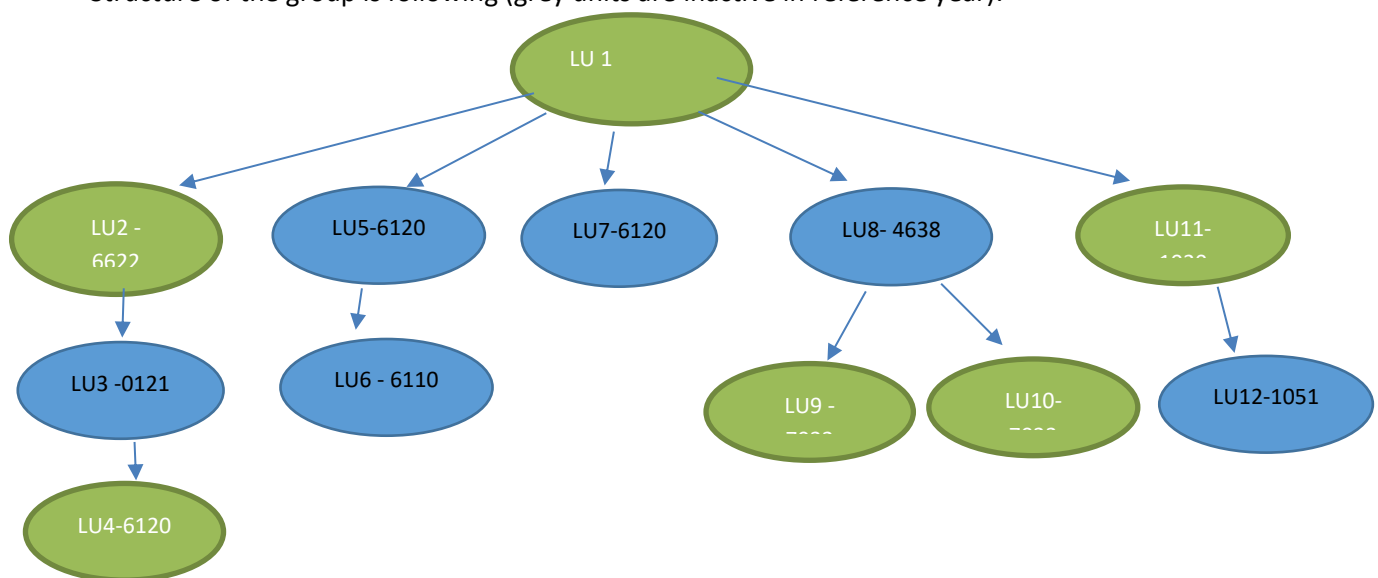
CASE 3

If one company sells its good or services 50% on the market and 50% internally to other units of the group, should we combine this unit into complex enterprise together with the unit(s) it is involved with internal transactions or is it better to remain as simple enterprise?

Such units use to have proportion of market - non market sale in one year 49:51, next year 52:48, etc. How to follow continuity of such enterprise? Which other indicators could be used in order to decide how to proceed in such cases when we intend to follow continuity of enterprises.

CASE 4

Structure of the group is following (grey units are inactive in reference year):



Quite often, we have similar situation – companies own other companies, many of them are inactive (grey colour).

Companies within the group have diversified activities. They are not vertically nor horizontally integrated.

At the moment each legal unit represent one enterprise. All legal units have full set of accounts and in financial reports (active units) do not report about internal flows with other units in the group (sales proceeds from entities within a group).

Should those units remain as simple enterprises or we should combine active units with similar activities into complex enterprises (e.g. NACE 61)?

CASE 5

During the economic crisis the following phenomenon was observed: Enterprises under the scope of Structural Business Statistics (SBS), due to non-repayment of loans that had received, went under bank control. In this case, will these legal entities be considered to belong in the financial sector? If this is the case, how will the consolidation be applied?

CASE 6

Due to the liberalisation of the energy market many enterprises created legal units, whose main activity is the production of energy from renewable sources (wind farms, solar parks). If these legal units are incorporated under the enterprise's main activity, then the information regarding their activity is lost, and the liberalization of the energy market is not reflected.

CASE 7

Enterprise Groups are often composed of a number of distinct enterprises operating in various unrelated industries, having an ancillary unit holding one (or more) factor of production and supplying services to all the distinct enterprises. In such a case, should this ancillary unit be considered a separate enterprise? Or should it be consolidated as an ancillary unit with one of the enterprises? If yes, how should NSIs determine the enterprise chosen for the amalgamation of this particular ancillary unit?

By means of an example, consider an enterprise group consisting of two main enterprises: an airport and a large shopping complex. It also owns an ancillary unit holding a car park (land) situated in between the airport and the shopping complex. This ancillary unit charges a homogenous fee to both the airport and the shopping complex for the free use of its parking by their respective customers. The parking should be considered part of which of the two enterprises?

A large number of situations similar to the above example exist in cases of ancillary units owning all the land and buildings (used for offices) of a particular enterprise group. Such units would charge the legal units (or enterprises) a rental fee for the use of land/buildings.

Another frequent situation is the case where an ancillary unit owns all the labour (as in factor of production) of a particular enterprise group. The employees registered with such ancillary units would then be distributed to different legal units (or enterprises) forming part of the enterprise group. Should such an ancillary unit, with no real autonomy, be considered a separate enterprise? Or should it be consolidated with an enterprise? If this is the case, what is the recommended method of determining the enterprise for such an amalgamation?