EUROPEAN TASK FORCE
CAPACITY UTILISATION

Tests carried out by INSEE

Dorothée AST
Brussels, 14 October 2009

EC Workshop on Business and Consumer Surveys

First test:

Wordings tested:

1) At what capacity is your company currently operating (as a percentage of full capacity)?
   The company is currently operating at ...% of full capacity.

2) Taking into consideration your factors of production (staff, space, equipment, means of transport, etc.), at what capacity is your company currently operating (as a percentage of full capacity)?
   The company is currently operating at ...% of full capacity.

⇒ close to the wording of the question on capacity utilisation of the business survey in industry
First test:

Questionnaire:

1) According to you, do the two formulations lead to the same answer? Yes - No

2) What would you answer? .... %

3) According to you, which wording is preferable?
   Formulation 1 – Formulation 2

4) Do you think that the production capacity utilisation rate is a relevant indicator of the activity of your firm? Yes - No
First test:

Methodology:
Sample: around 40 firms per NACE2 level
- firms which answer the business survey regularly, preferably through the Internet
- with an e-mail address

433 firms
- questionnaires sent via e-mail
- follow-up questionnaires

202 respondents: 47%
First test:

Response rate by sector:

<table>
<thead>
<tr>
<th>NACE2 levels</th>
<th>Number of firms in the sample</th>
<th>Number of respondents</th>
<th>Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>55 Hotels and restaurants</td>
<td>40</td>
<td>16</td>
<td>40 %</td>
</tr>
<tr>
<td>60 Transport</td>
<td>40</td>
<td>20</td>
<td>50 %</td>
</tr>
<tr>
<td>63 Activities of travel agencies (63.3)</td>
<td>39</td>
<td>18</td>
<td>46 %</td>
</tr>
<tr>
<td>64 Post and telecommunications</td>
<td>40</td>
<td>15</td>
<td>38 %</td>
</tr>
<tr>
<td>70 Real estate activities</td>
<td>40</td>
<td>20</td>
<td>50 %</td>
</tr>
<tr>
<td>71 Renting activities (without operator)</td>
<td>40</td>
<td>23</td>
<td>58 %</td>
</tr>
<tr>
<td>72 Computer and related activities</td>
<td>40</td>
<td>21</td>
<td>53 %</td>
</tr>
<tr>
<td>74 Other business activities</td>
<td>40</td>
<td>22</td>
<td>55 %</td>
</tr>
<tr>
<td>90 Sewage and refuse disposal, sanitation and similar activities</td>
<td>40</td>
<td>16</td>
<td>40 %</td>
</tr>
<tr>
<td>92 Recreational, cultural and sporting activities</td>
<td>40</td>
<td>23</td>
<td>58 %</td>
</tr>
<tr>
<td>93 Other service activities</td>
<td>34</td>
<td>8</td>
<td>24 %</td>
</tr>
<tr>
<td>Total</td>
<td>433</td>
<td>202</td>
<td>47 %</td>
</tr>
</tbody>
</table>
First test:

Q1: According to you, do the two formulations lead to the same answer?

- 156 respondents (77%)

- Yes 78%
- No 22%
First test:

Q2: *What would you answer?*

- only 120 respondents (59%)
- various answers: accurate answers / vague answers, brackets
- 1 out of 5 indicated that they had difficulties answering the question
- difficulties in all the sectors surveyed
- average capacity utilisation rate: 77.4%
**First test:**

**Q3:** According to you, which formulation is preferable?

- 156 respondents (77%)

- Wording 1: 45%
- Wording 2: 49%
- Other answer: 6%

- Other answers: « None », « Indifferent », « It depends on the firm and on the sector »

=> Neither one of the wordings seems more appropriate than the other
First test:

Q4: Do you think that the production capacity utilisation rate is a relevant indicator of the activity of your firm?

- 188 respondents (93%)

Most respondents don’t think it is relevant

- Examples of comments: “No because the firm provides services”, “No – there is no production in the company”
First test:

Q4: Do you think that the production capacity utilisation rate is a relevant indicator of the activity of your firm?

<table>
<thead>
<tr>
<th>NACE2 levels</th>
<th>Yes</th>
<th>No</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>55 Hotels and restaurants</td>
<td>10</td>
<td>6</td>
<td>16</td>
</tr>
<tr>
<td>60 Transport</td>
<td>16</td>
<td>4</td>
<td>20</td>
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<tr>
<td>63 Activities of travel agencies (63.3)</td>
<td>7</td>
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<td>6</td>
<td>15</td>
<td>21</td>
</tr>
<tr>
<td>93 Other service activities</td>
<td>4</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>81</td>
<td>107</td>
<td>188</td>
</tr>
</tbody>
</table>
**First test: conclusion**

- **120** respondents (59%) answered the question on capacity utilisation
- Only **81** respondents (43%) consider that the production capacity utilisation rate is relevant
- **107** (57%) don’t think it is relevant
- A few respondents indicated that they weren’t concerned by our survey
- **1 out of 5** respondents had difficulties to calculate the rate

Neither one of the wordings seems appropriate

It might be preferable to choose a wording which is more adapted to the services sector
Second test:

Wording tested:

- question in two parts, close to the question on capacity utilisation of the French business survey in construction:

*If the demand addressed to your firm expanded, could you increase your activity with your present resources?*

Yes - No

*If so, by how much? ...%*

\[
CU = \frac{1}{1 + \text{percentage of increase}}
\]
Second test:

Questionnaire:

1) What would be your answer?
   
   Yes – No
   
   If yes: .... %

2) Considering the activity of your firm, do you think that these questions are relevant?
   
   Yes – No
Second test:

Methodology: 2 samples:

- First sample: “new” firms
  - firms which answer the business survey regularly, preferably through the Internet
  - with an e-mail address

- Second sample:
  - respondents to the first survey
  - answered that they weren’t concerned by our survey or that the capacity utilisation rate wasn’t relevant
  - questionnaires sent via e-mail

<table>
<thead>
<tr>
<th></th>
<th>Firms surveyed</th>
<th>Respondents</th>
<th>Response rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sample 1</td>
<td>156</td>
<td>66</td>
<td>42 %</td>
</tr>
<tr>
<td>Sample 2</td>
<td>55</td>
<td>41</td>
<td>75 %</td>
</tr>
<tr>
<td>Total</td>
<td>211</td>
<td>107</td>
<td>51 %</td>
</tr>
</tbody>
</table>
Second test:

*Considering the activity of your firm, do you think that these questions are relevant?*

- 83 respondents (78%)

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
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<th>Total</th>
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<tbody>
<tr>
<td>Sample 1</td>
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<td>18</td>
<td>52</td>
</tr>
<tr>
<td></td>
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<td>35%</td>
<td>100%</td>
</tr>
<tr>
<td>Sample 2</td>
<td>13</td>
<td>18</td>
<td>31</td>
</tr>
<tr>
<td></td>
<td>42%</td>
<td>58%</td>
<td>100%</td>
</tr>
<tr>
<td>Total</td>
<td>47</td>
<td>36</td>
<td>83</td>
</tr>
<tr>
<td></td>
<td>57%</td>
<td>43%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Most respondents think that the questions are relevant

- Sectors overrepresented: telecommunications (NACE 64), real estate activities (70), recreational, cultural and sporting activities (92)
Second test:

*If the demand addressed to your firm expanded, could you increase your activity?*

- 92 respondents (86%)

If yes, by how much?

- 59 respondents out of 76 (78%)
- 12 indicated they had difficulties answering, 5 in sample 1

We can calculate the capacity utilisation rate of:

16 + 59 = 75 firms (51 in S1, 24 in S2)
Second test:

Comments on the wording:

If the demand addressed to your firm expanded, could you increase the volume of activity of your firm with your present resources?

Yes - No

If so, by how much at the most? ...%
Conclusion:

<table>
<thead>
<tr>
<th></th>
<th>Test 1</th>
<th></th>
<th>Test 2</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Sample 1</td>
<td></td>
<td>Sample 2</td>
</tr>
<tr>
<td>% of respondents who consider that the question is relevant</td>
<td>43 %</td>
<td></td>
<td>65 %</td>
<td>42 %</td>
</tr>
<tr>
<td>% of firms for which we can calculate the CU rate</td>
<td>59 %</td>
<td></td>
<td>77 %</td>
<td>59 %</td>
</tr>
<tr>
<td>% of respondents who had difficulties answering</td>
<td>20 %</td>
<td></td>
<td>8 %</td>
<td>17 %</td>
</tr>
</tbody>
</table>

The new wording seems more appropriate than the two wordings initially proposed.
Conclusion:
We suggest choosing the following wording:

*If demand expanded, could you increase the volume of activity of your firm?*

*Yes – No*

*If yes, by how much at the most? ...%*