



EUROPEAN COMMISSION - EUROSTAT

ESSnet on consistency of concepts and methods
of business-related statistics
2010 project on statistical units
n° 30121.2010.005 - 2010.405



An Phríomh-Oifig Staidrimh
Central Statistics Office



Istituto Nazionale
di Statistica



Institut national de la statistique
et des études économiques



Deliverable 3.1

Identification and evaluation of business statistics
regulations inconsistency

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July 2012

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1. Introduction

This document is a deliverable of the WP1 „Statistical Units” of the Project „Consistency between regulations and applied methodologies in different areas of statistics” (in short: ESSnet on consistency). This deliverable falls under the task 3.1. – Identification and evaluation of business statistics regulations inconsistency of the Action 3 – Identification of inconsistencies.

The purpose of this document is to present a reference compendium of various types of statistical units and their definitions as adopted in European standards. This task will use the „External Study on Detail Evaluation of the Legal Acts in the Areas of Statistics which were identified by Member States as Areas of Revision”, by Josef Richter, Christian Engelage and Peter Thomas, submitted to Eurostat in July 2010 (in short: „External study”) as a starting point as well as focuses on the information about statistical units collected from legal acts and manuals.

The Council Regulation (EEC) No 696/93 of 15 March 1993 on the statistical units for the observation and analysis of the production system in the Community was adopted in 1993, in the years after the social and economic environment have heavily changed. There is a crucial need to have a critical review on statistical units to come to a revision of definitions that is why analytical study should be carried out on the EU statistical units system.

Expected result of Action 3 is „overall and comprehensive identification and classification of the inconsistency and causes as regards the application of the statistical units’ definition both in different Member States (MS) and in different statistical domains”.

2. Statistical units overview

Statistical units have an important role in the processing of statistics. The COUNCIL REGULATION (EEC) No 696/93 of 15 March 1993 on the statistical units for the observation and analysis of the production system in the Community gives the following list of statistical units of the production system: A. Enterprise; B. Institutional unit; C. Enterprise group; D. Kind-of-activity unit (KAU); E. Unit of homogeneous production (UHP); F. Local unit; G. Local kind-of-activity unit (local KAU); H. Local unit of homogeneous production (local UHP). Article 8 of the COUNCIL REGULATION (EEC) No 696/93 states that *the statistical units of the production system referred to in a Community act governing Community statistics shall be interpreted in accordance with the concepts and terminology of this Regulation.*

2.1. Enterprise

The COUNCIL REGULATION (EEC) No 696/93 defines the enterprise as *the smallest combination of legal units that is an organizational unit producing goods or services, which benefits from a certain degree of autonomy in decision-making, especially for the allocation of its current resources. An enterprise carries out one or more activities at one or more locations.* An enterprise may be a sole legal unit or under certain circumstances, correspond to a grouping of several legal units.

In accordance with Regulation (EEC) No 696/93 explanatory notes: *Some legal units, in fact, perform activities exclusively for other legal units and their existence can only be explained by administrative factors (e. g. tax reasons), without them being of any economic significance. A large proportion of the legal units with no persons employed also belongs to this category. In many cases, the activities of these legal units should be seen as ancillary activities of the parent legal unit they serve, to which they belong and to which they must be attached to form an enterprise used for economic analysis.*

The enterprise as the most frequently used unit of observation in business statistics is not homogeneous with respect to its activity, and also not homogeneous with respect to geographical criteria.

2.2. Local unit

The COUNCIL REGULATION (EEC) No 696/93 defines the local unit as *an enterprise or part thereof (e. g. a workshop, factory, warehouse, office, mine or depot) situated in a geographically identified place. At or from this place economic activity is carried out for which — save for certain exceptions — one or more persons work (even if only part-time) for one and the same enterprise.*

In accordance with Regulation (EEC) No 696/93 explanatory notes:

- If a person works in more than one place (maintenance or surveillance) or at home, the local unit is taken to be place from which instructions emanate or from where the work is organized. It must be possible to specify the employment attached to any local unit. However, all legal units that serve as the legal basis for an enterprise or a part thereof must have a local unit which is the registered office, even if nobody works there. Moreover, a local unit can comprise only ancillary activities.

- A geographically identified place must be interpreted on a strict basis: two units belonging to the same enterprise at different locations (even within the smallest administrative unit of the Member State) must be regarded as two local units. However, a single local unit may be spread over several adjacent administrative areas, in which case, by convention, the postal address is the determining factor. The main concept behind the local unit is that the unit is homogeneous with respect to the region, defined in a very narrow sense.

- The boundaries of the unit are determined by the boundaries of the site, which means for example that a public highway running through does not interrupt the continuity of the boundaries. The definition is similar to the one in paragraph 101 of the introduction to ISIC Rev. 3 in that it concerns localization in the strict sense of the term, but differs from the definition in paragraph 102 in that this strict sense may not vary according to the statistics under consideration. In addition, the criterion of persons working in the unit is normally applied.

- The ESA-REG (the regional application of the ESA) uses the same definition of local unit for regional accounts purposes. According to SNA 5.20 a local unit is an enterprise, or part of an enterprise, which engages in productive activity at or from one location.

According to ISIC Rev. 3, paragraph 99, the concept of the local unit covers all economic activities carried out by an enterprise at or from one location.

Context: The definition has only one dimension in that it does not refer to the kind of activity that is carried out. Location may be interpreted according to the purpose, narrowly, such as specific address, or more broadly, such as within province, state, country, etc. (United Nations Glossary of Classification Terms. Prepared by the Expert Group on International Economic and Social Classifications)

2.3. Kind-of-activity unit

The COUNCIL REGULATION (EEC) No 696/93 states that the kind of activity unit (KAU) groups all the parts of an enterprise contributing to the performance of an activity at class level (four digits) of NACE Rev. 1 and corresponds to one or more operational subdivisions of the enterprise.

The first criterion for identifying a KAU is therefore to arrive at units with a high degree of homogeneity with respect to the activity, but taking into account that KAUs are not perfectly homogeneous with respect to their activity. The KAUs falling within a particular heading in the NACE Rev. 1 classification system can produce products outside the homogeneous group, on account of secondary activities connected with them which cannot be separately identified from available accounting documents. Conversely, the KAUs classified under a particular heading in the classification system on the basis of a principal activity do not produce the entire output of homogeneous groups of specific products because the same products can be produced in secondary activities of KAUs falling under some other classification heading.

The criterion to identify a KAU is that the enterprise's information system must be capable of indicating or calculating for each KAU at least the value of production, intermediate consumption, manpower costs, the operating surplus and employment and gross fixed capital formation.

Moreover in accordance with Regulation (EEC) No 696/93 explanatory notes:

-The KAU was devised as an observation. An entity which only carries out ancillary activities for the enterprise to which it belongs cannot be considered as a separate KAU. In fact the KAU corresponds to the operational definition given in paragraph 96 of the introduction to ISIC Rev. 3. Paragraph 91 of the introduction to ISIC Rev. 3 states that the kind-of-activity unit is an enterprise, or a part of an enterprise, which engages in one kind of economic activity without being restricted to the geographic area in which that activity is carried out.

- The internal accounts of enterprises (e. g. profit or cost centers) have often been developed according to criteria that are close: the activity concept. They enable the supply of data at KAU level, so that these can be observed.

- All the costs of ancillary activities of an enterprise must be allocated to the principal and secondary activities and thus to the KAUs observed within the enterprise.

2.4. Local Kind-of-activity unit

The Regulation (EEC) No 696/93 states that the *local kind-of-activity unit (local KAU) is the part of a KAU which corresponds to a local unit.*

In accordance with Regulation (EEC) No 696/93 explanatory notes:

- Each KAU must have at least one local KAU; however, the KAU can be made up of a grouping of parts of one or more local units. On the other hand, a local unit may in certain circumstances comprise solely a group of ancillary activities. In this instance, a supplementary classification of the local unit is possible. Furthermore, each enterprise should have at least one local KAU;

- The local KAU corresponds to the operational definition of the establishments as given in paragraph 106 of the introduction to ISIC Rev.3. As mentioned in ISIC Rev.3 an establishment is an enterprise, or part of an enterprise, which engages in one, or predominantly one, kind of economic activity at or from one location or within one geographic area, for which data are available, or can meaningfully be compiled, that allow the calculation of the operating surplus. According to the European System of Accounts (ESA) the local KAU is called the establishment in the System of National Accounts (SNA) where local KAU corresponds to one or more operational subdivisions of the institutional unit. The institutional unit's information system must be capable of indicating or calculating for each local KAU at least the value of production, intermediate consumption, compensation of employees, the operating surplus, employment and gross fixed capital formation.

2.5. Other statistical units

Institutional unit

The Regulation (EEC) No 696/93 states that *the institutional unit is an elementary economic decision-making center characterized by uniformity of behavior and decision-making autonomy in the exercise of its principal function. A unit is regarded as constituting an institutional unit if it has decision-making autonomy in respect of its principal function and keeps a complete set of accounts, which means records covering all its economic and financial transactions carried out during the accounting period, as well as a balance sheet of assets and liabilities.*

The last feature is of primary importance for business statistics as it permits the observation of the characteristics of maximum number of variables.

The first explanatory note is of special relevance for the entire system of business-related statistics: *In the corporate enterprises sector, the enterprise corresponds to the institutional unit used in the ESA. Similar institutional units also exist in the general government and private non-profit institutions sectors. The institutional unit in the households sector covers all the activities of households, while the term 'enterprise' is reserved exclusively for their production activities.*

Enterprise group

The Regulation (EEC) No 696/93 states that *an enterprise group is an association of enterprises bound together by legal and/or financial links. A group of enterprises can have more than one decision-making centre, especially for policy on production, sales and profits. It may centralize certain aspects of financial management and taxation. It constitutes an economic entity which is empowered to make choices, particularly concerning the units which it comprises.*

Within the meaning of the Seventh Council Directive 83/349/EEC, a group is presumed to exist where 20 % of the capital or voting rights are held or controlled by another enterprise.

A statistical unit known as 'enterprise group' based on the 'accounting group' concept must be defined by applying the following amendments: *consider accounting groups at the highest consolidation level (group head), include in enterprise group units whose accounts are entirely integrated in those of the consolidating company, add majority-controlled units whose accounts are not included in the overall consolidating by virtue*

of application of one of the criteria allowed by the seventh Directive, i. e. difference in the type of activity or small realive size, discount temporary links of less than a year.

In the explanatory notes it is stated that *the enterprise group unit is particularly useful for financial analyses and for studying company strategies, but it is too varied in nature and unstable to be adopted as the central unit for observation and analysis, which remains the enterprise. It is used for compiling and presenting certain information.*

Unit of homogeneous production (UPH)

The Regulation (EEC) No 696/93 states that *the unit of homogeneous production (UHP) is characterized by a single activity which is identified by its homogeneous inputs, production process and outputs. The products which constitute the inputs and outputs are themselves distinguished by their physical characteristics and the extent to which they have been processed as well by the production technique used, by reference to a product classification. The unit of homogeneous production may correspond to an institutional unit or a part thereof; on the other hand, it can never belong to two different institutional units.*

In the explanatory notes it is pointed out that *for a clear analysis of the production process, the ESA has adopted units of homogeneous production that enable the technical/economic relationships to be studied. These analytical units are used particularly for Input- Output tables, and in practice are reconstituted from data collected for the observation units, since they cannot as a rule be directly observed.*

Local unit of homogeneous production (local UHP)

The Regulation (EEC) No 696/93 states that *the local unit of homogeneous production (local UHP) is the part of a unit of homogeneous production which corresponds to a local unit.* The local unit of homogeneous production also belongs to the group of analytical units which in practice cannot be directly observed.

3. Identification and evaluation of (in) consistency

3.1. Enterprise

Business Register

For the purposes of **Regulation (EC) No 177/2008 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL** of 20 February 2008 establishing a common framework for business registers for statistical purposes and repealing Council Regulation (EEC) No 2186/93 'enterprise' shall be defined in the Annex to Regulation (EEC) No 696/93 and states that *'registers shall be compiled of all enterprises carrying on economic activities contributing to the gross domestic product (GDP), and their local units'*. Regulation (EC) No 177/2008 requires that both 'enterprises' and 'legal units' shall be listed in the registers and *'economically inactive legal units are part of an enterprise only in combination with economically active legal units'*.

Regulation No 177/2008 also includes a certain cut-off threshold. *Enterprises with less than half a person employed and all-resident enterprise groups of no statistical importance to the Member States are to be included in the registers, and the definition of units consistent with those for agricultural statistics, shall be decided in accordance with the regulatory procedure with scrutiny referred to in Article 16(3).* According to the Manual (6.15) the criterion 'half a person employed' has to be seen in conjunction with Regulation No 696/1993. This Statistical Units Regulation states in the definition of local units that, save for certain exceptions, one or more persons must work, even if only part-time, in a local unit (and therefore also in an enterprise). An enterprise must provide employment, be it voluntary or paid, so the Regulation points out that all enterprises employing at least half a person (i.e. one person half-time) must be included in the business register.

Chapter 19B of Business Registers-Recommendations manual defines *the following features that enterprise needs to have: an enterprise has accounts at its disposal; the operations of an enterprise are managed in an integrated manner; market orientation of an enterprise.*

According to Annex of Regulation (EC) No 177/2008 the business registers shall contain the following information by enterprise. Unmarked items are mandatory, items marked ‘conditional’ are mandatory if available in the Member State and items marked ‘optional’ are recommended.

| ENTERPRISE | | | |
|--|--------|---|--|
| Identification characteristics | 3.1. | | Identity number |
| | 3.2a. | | Name |
| | 3.2b. | Optional | Postal, e-mail and website addresses |
| | 3.3. | | Identity number(s) of the legal unit(s) of which the enterprise consist(s) |
| Demographic characteristics | 3.4. | | Date of commencement of activities |
| | 3.5. | | Date of final cessation of activities |
| Economic/stratification characteristics | 3.6. | | Principal activity code at NACE 4-digit level* |
| | 3.7. | Conditional | Secondary activities**, if any, at NACE 4-digit level; this point concerns only enterprises which are the subject of surveys |
| | 3.8. | | Number of persons employed |
| | 3.9. | | Number of employees |
| | 3.9b. | Optional | Number of employees in full-time equivalents |
| | 3.10a. | | Turnover save as provided in 3.10b |
| | 3.10b. | Optional | Turnover for agriculture, hunting and forestry, fishing, and public administration and defense, compulsory social security, private households with employed persons and extra-territorial organisations |
| 3.11. | | Institutional sector and sub-sector according to European System of Accounts*** | |
| Additional characteristics for enterprises belonging to an enterprise group: | | | |
| Link with enterprise group | 3.12. | | Identity number of the all-resident/truncated enterprise group (4.1), to which the enterprise belongs |

* The NACE code according to the principal activity is important in judging the role of certain units (often in combination with other data such as turnover or employment) in the enterprise group structure, mainly the group head, the head Office and special purpose entities (SPEs, included in NACE Rev. 2 Class 64.30), but also in general in enterprise group structuring and demography. The enterprise group’s worldwide dispersion of employment by activity can also be studied by its constituent units (Manual). (External p.18)

** The knowledge of secondary activities is important for large enterprises, for instance to conduct short-term business surveys, and for determining KAUs. If KAUs are not recorded in the business register as separate units, this characteristics offers the possibility of analytically defining them. (External p.18)

*** As outlined in the Manual the institutional sector classification in the business registers serves many purposes: it is significant for the use of business registers for National Accounts; in business statistics it can be used for the separation of market and non-market activities for business statistics and business demography, which cover only market activities; it can be used to separate information on public enterprises and to separate privately and publicly controlled enterprises; it can be used to distinguish foreign-controlled enterprises (e.g. for FATS) and ensure that the enterprise information is consistent with the corresponding legal unit and enterprise group information. (External p.18)

FATS

In accordance with REGULATION (EC) No 716/2007 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 20 June 2007 on Community statistics on the structure and activity of foreign affiliates Article 2:

- The Inward FATS statistical units are the enterprises and all branches which are under foreign control;
- The Outward FATS statistical units are the enterprises and all branches abroad that are collected by an institutional unit resident in the compiling economy.

More detailed description is in Chapter 3.2 Local unit.

Short-Term Statistics

In accordance with **COUNCIL REGULATION (EC) No 1165/98** of 19 May 1998 concerning short-term statistics, Short-term business statistics use the enterprise for retail trade and services. The COUNCIL REGULATION (EC) No 1165/98 states that *whereas it is necessary to have a legal framework common to all business activities and domains of business statistics covering also the activities and domains for which statistics are not yet developed; whereas the scope of the statistics to be compiled can be defined by reference to Council Regulation (EEC) No 696/93 of 15 March 1993 on the statistical units for the observation and analysis of the production system in the Community and Council Regulation (EEC) No 3037/90 of 9 October 1990 on the statistical classification of economic activities in the European Community (NACE Rev.1).*

The Annex C: Retail trade and Repair applies to the activities listed in Division 47 of NACE Rev. 2.

The Annex D: Other services applies to all activities listed in Divisions 45 and 46 and Sections H to N and P to S of NACE Rev. 2.

Environmental expenditure

Regulation No 295/2008 of the European Parliament and of the Council concerning structural business statistics is the basic Regulation for expenditure on environmental statistics. As far as environmental expenditure in industry is concerned the characteristics are to be provided at the enterprise level. As mentioned in General *the main variables collected in the framework of structural business statistics are:*

- *Demographic variables: number of enterprises, number of local units;*
- *“Input related” variables: number of persons employed, number of employees, personnel costs, gross investment in tangible goods;*
- *“Output related” variables: turnover, production value, value added at factor cost.*

These variables are collected for all market activities

The “General Government and Specialised Producers data collection handbook” explain different statistical units for statistical purposes on environmental expenditure statistics. As mentioned in handbook there are *important in the data collection is to classify producers*. As also mentioned in handbook *in order to establish whether a producer belongs to General Government or to other sectors (mainly corporations or Non-Profit institution Servicing Households (NPISH)), three main classification criteria should be applied, i.e. the possible autonomy of decision, the kind of ownership (private or public), and the kind of output (market or non-market). In practice producers can be classified by answering to the following three questions:*

- *Is there autonomy of decision?*
- *Is it a private or public ownership?*
- *Is it a market or non-market activity?*

The first approach based on the difference of autonomy of decision. See Figure below (41p).

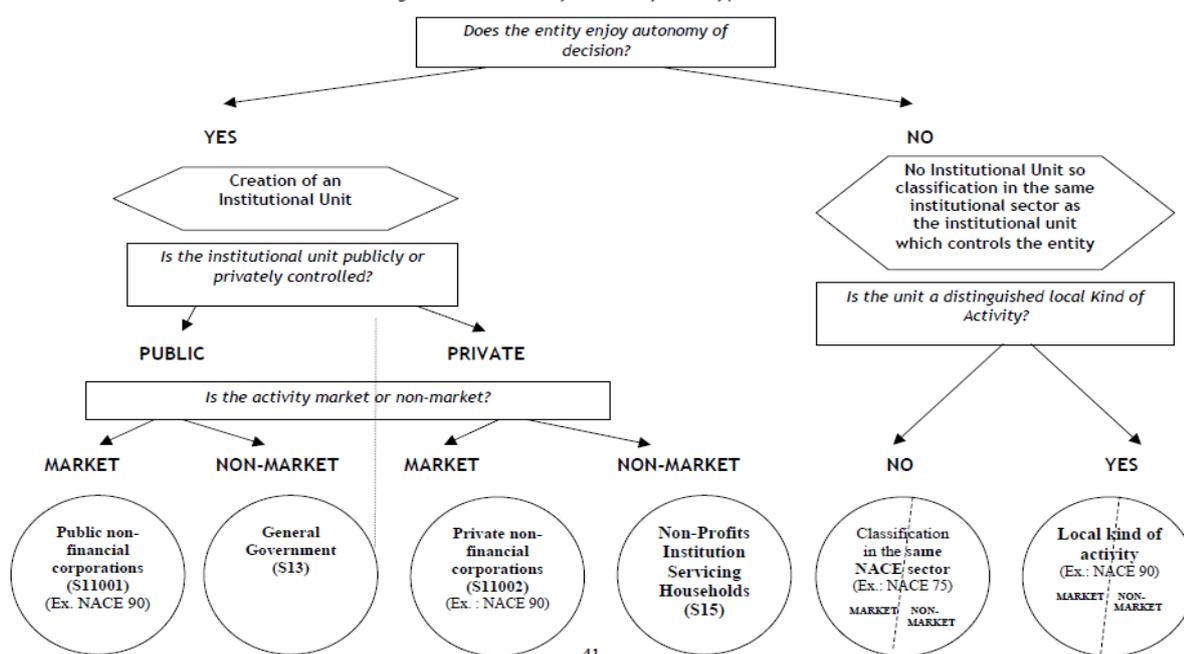
In accordance with Regulation 696/93 units have autonomy of decision in respect of its principal function, a unit must be responsible and accountable for the decisions and actions it takes. The table below recapitulates how the public departments may be classified according to their autonomy of decision and their activity (42p)

The producer enjoys autonomy of decision and institutional unit is created. Next step is to establish if this institution is publicly or privately controlled.

The last step is classified market or non-market sector. As mentioned in handbook *a criterion used to evaluate the proportion of market output in the total output is the percentage of the production costs covered by the price used for the sale of the product.*

According to the ESA 95, if this percentage is more than, or equal to, 50 percent, the activity is considered as a market activity. This is known as the 50 percent rule. (44p.)

Figure 3.1: Decision tree for the classification of producers



Classification of government units

| Autonomy of decision | Classification |
|--|---|
| Enjoys autonomy of decision and sells the services at economically significant prices. | A separate institutional unit should be created and classified as a corporation or quasi-corporation (non-financial corporations sector). |
| Does not enjoy autonomy of decision and sells the services at economically significant prices. The accounts of the municipality allow the identification of at least the value of production, intermediate consumption, compensation of employees, employment and gross fixed capital. | No separate institutional unit is created, but for the purpose of industry classification a local kind of activity unit may be created, which although being a market producer belongs to General Government. |
| Does not enjoy autonomy of decision and the accounts of the municipality do not allow the identification of at least the value of production, intermediate consumption, compensation of employees, employment and gross fixed capital. | No separate institutional unit is created and no local kind of activity unit can be created. The department will be included with other administrative activities and classified e.g. in NACE 75 ²¹ (public administration). |

The observation unit is institutional unit or local kind of activity unit. The main definitions are comparable with Regulation 696/93. The additional information about market and non-market sector, profit or non-profit units and public or private sector is defines in accordance with ESA 95.

Prodcom

In accordance to Article 1 of COMMISSION REGULATION (EC) No 912/2004 of 29 April 2004 implementing Council Regulation (EEC) No 3924/91 on the establishment of a Community survey of industrial production the observation unit shall be the enterprise as defined in Regulation No 696/93 on the statistical units for the observation and analysis of the production system in the Community. Member States may collect data using another statistical unit as observation unit as long as they transmit enterprise data to Eurostat. The Prodcom observational unit shall be the enterprise but the same time data producers may collect data using another statistical unit as observation unit.

COUNCIL REGULATION (EEC) No 3924/91 of 19 December 1991 on the establishment of a Community survey of industrial production uses the unit ‘undertaking’ and no definition of ‘undertaking’ is mentioned.

Prodcom provides statistics on the production of manufactured goods. The basis of the survey is Council Regulation (EEC) No 3924/91 on the establishment of a Community survey of industrial production, which states that production is to be recorded according to the product headings of the PRODCOM list. There are three conditions for determination of survey population:

- principal activity or one of its secondary activities is listed in section NACE Rev. 2 Sections B and C. If state’s production in each NACE class represents less than 1% of the Community total, then data for the headings in that class does not need to be collected. In this case production should be reported as zero;
- in each Member State at least 90% of production in each (four digit) class of NACE;
- any enterprise of 20 or more employees must be included.

The production surveyed shall be only that production actually carried out on its territory.

Statistics on the Information Society

According to ANNEX I of the Regulation (EC) No 808/2001 of the European parliament and of the Council of 21 April 2004 concerning Community statistics on the information society the Module 1: Enterprises and the information society covers business activities within Sections D to K and Division 92 of the statistical classification of economic activities in the European Community (NACE REV. 1.1). Section J will be included subject to successful prior pilot studies. The statistics will be compiled for enterprise units.

According to ANNEX I of the Regulation (EC) No 1006/2009 of the European parliament and of the Council of 16 September 2009 amending Regulation (EC) No 808/2004 concerning Community statistics on the information society the Module 1: Enterprises and the information society covers business activities within Sections C to N and R and Division 95 of the statistical classification of economic activities in the European Community (NACE REV. 2). Statistics will be compiled for enterprise units.

According to Methodological Manual for statistics on the Information Society, Survey year 2011 *the observation statistical unit in the "Community Survey on ICT usage and e-Commerce in Enterprises" is the enterprise, as defined in the Council Regulation (EEC) No 696/93 of 15 March 1993 on the statistical units for the observation and analysis of the production system in the Community defines a list of statistical units.*

According to the Methodological Manual for statistics on the Information Society, Survey year 2011, I.1.6.10 Module X: Background Information:

The background variables have several purposes. Firstly, they are used to breakdown the results from the main characteristics. That is the case for the "Main economic activity of the enterprise" and "Average number of persons employed".

Secondly, they are needed to weight the percentages of turnover and purchases from e-commerce. The background variables "Total purchases of goods and services" and "Total turnover" are used for that. The variable "Average number of persons employed" is similarly used to weight the percentage of persons employed using computers, the percentage of persons employed using computers with access to the WWW, etc. The number of persons employed is also used to weight the qualitative variables.

Thirdly, the background variables are used in the sampling design. Namely, the "Main economic activity" and the "Average number of persons employed" are used to stratify the sample.

The background variables described so far may be collected through the ICT survey questionnaire or obtained from alternative sources. The alternative sources are mainly the registers and one main business survey, usually used to produce the structural business statistics. It is very important that the background information is at least consistent with the structural business statistics.

According to the Methodological Manual for surveys on the ICT Investment / Expenditure, Survey year 2012 1.1 Statistical unit *the statistical unit for the ICT investment survey is the enterprise, the same as for the "Community Survey on ICT usage in Enterprises".* The enterprise is defined in the Council Regulation (EEC) No 696/93 of 15 March 1993 on the statistical units for the observation and analysis of the production system in the Community. The following background variables are to be collected:

X1. Main economic activity of the enterprise, during 2011

- X2. Average number of persons employed, during 2011
- X3. Total purchases of goods and services (in value terms, excluding VAT), for 2011
- X4. Total turnover (in value terms, excluding VAT), for 2011 (excluding NACE K)
- X5. Total investments (in value terms, excluding VAT), for 2011
- X6. Time needed to fill out this questionnaire
- X7. Did the enterprise use ICT resources shared within the group, not charged for, during 2011

According to the Grants Award Criteria for 2012 surveys, variables X1 to X5 are required to be collected by all participating National Statistical Institutes, while variables X6 and X7 are collected on optional basis. The background variables to be collected follow to some extent background variables in the ICT use in enterprises survey. However, following differences should be noted: the definition of the variable X3 Total purchases of goods and services differs from the definition in the ICT use in enterprises survey, and the variables X5 to X7 are not part of the ICT use in enterprises survey. It is recommended that variables X1 to X5 are not asked directly within the questionnaire, but rather they are collected from the Business register, SBS database or other relevant source of data.

Structural Business Statistics

SBS rely on different observational units (as defined in Regulation No 696/93) for different variables and in addition on different units (not all of them defined in Regulation No 696/93) for specific branches of the economy and in particular in the field of financial corporations. Reference to statistical units is in Article 2 of REGULATION (EC) No 295/2008 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 11 March 2008 concerning structural business statistics *statistical units of the types listed in Section I of the Annex to Council Regulation (EEC) No 696/93 of 15 March 1993 on the statistical units for the observation and analysis of the production system in the Community which are classified under one of the activities referred to in paragraph 1 shall be included in the scope of this Regulation. The use of particular units for the compilation of statistics is specified in the Annexes to this Regulation.*

SBS are based on statistical units as defined in Regulation No 696/93. According to REGULATION (EC) No 295/2008 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 11 March 2008 concerning structural business statistics the „enterprise” is the statistical unit (as defined in Regulation No 696/93) in Common module (Module I), Industry (Module II), Trade (Module III), Construction (Module IV), Insurance (Module V), Credit institutions (Module VI), Pension funds (Module VII), Business services (Module VIII) and in Business demography (Module IX).

According to the common module covering the entire target population of SBS a number of variables are observed on the enterprise level. The list of these variables includes such central variables as turnover, production value, value-added at factor cost, personnel costs, gross investment and number of persons employed.

Research and Development

In the Regulations themselves no definitions of the statistical unit to be used are given. No reference is made to Regulation No 696/93 on the statistical units for the observation and analysis of the production system in the Community.

In the case of **Statistics on Innovations**, Par 228-230 of the **Oslo Manual: Guidelines for collecting and interpreting innovation data** notes that *a clear distinction should be made between the reporting unit, the observation unit and the statistical unit. The reporting unit is the entity from which the recommended items of data are collected. The observation unit is the entity that the received data refer to. The observation unit is equivalent to the reporting unit if the data received refer to the same unit as the reporting unit. The statistical unit may be an observation unit on which information is received and statistics are compiled, or an analytical unit which statisticians create by splitting or combining observation units with the help of estimations or imputations in order to supply more detailed and/or homogeneous data than would otherwise be possible.*

Par 228-230 of the **Oslo Manual** states that *ideally, innovation data should be compiled (and collected) at the organisational level for which decisions on innovation activity are made. Taking into account how innovation activities are usually organised, the enterprise is in general the most appropriate statistical unit. At*

the same time no definition of the term ‘enterprise’ is proposed and no reference to the Statistical units Regulation is made.

The Oslo Manual (Par 233) notes that *the enterprise unit is the appropriate primary statistical unit in innovation surveys in most cases. The enterprise unit should, however, not be confused with the entity “legal unit”. While legal units are independent in a legal sense, they may not necessarily constitute independent economic entities with decision-making autonomy for their productive activities. This point follows from the EU definition of an enterprise and ISIC Rev. 3.1, §49.3 This is important for samples drawn from business registers based on legal units, as data from legal units without decision-making autonomy may not be comparable with data from enterprises. If data are collected for legal units, it is desirable to compile the data for statistical use at the enterprise level.*

The enterprise is generally the most appropriate statistical unit. It includes:

- Enterprises that consist of a single legal unit that engages primarily in one kind of economic activity.
- Enterprises that are a group of legal units, where the individual legal units cannot be considered separate economic entities, including:

*Legal units that are vertically or horizontally integrated in the enterprise.

*Individual legal units that perform ancillary functions, including R&D. (Oslo Manual, Par 234)

Oslo Manual (Par 241-242) notes that *in some instances, there may be interest in collecting data at a lower organisational level than the enterprise. This may for example be the case for compiling regional statistics or for employing a two-tiered approach to data collection. In such cases, an appropriate secondary statistical unit is the establishment unit.*

The establishment unit is defined (following ISIC Rev. 3.1) as: *an enterprise or part of an enterprise, that is situated in a single location, and in which only a single (non-ancillary) productive activity is carried out or in which the principal productive activity accounts for most of the value added.* An alternative is the local kind of activity unit as defined by the Regulation No 696/93.

Oslo Manual (Par 237) states that *large enterprises may have a number of different productive activities. For the largest, decision making on innovation activity will likely not be made at the highest level of the organisation, but undertaken for each productive activity or division. In this case, it may be preferable, where possible, to collect and compile data at the level of the kind of activity unit (KAU), defined as “an enterprise or part of an enterprise which engages in one kind of economic activity without being restricted to the geographic area in which that activity is carried out”. This means that the KAU may consist of one or more legal units, or a part of a legal unit.*

The following variables are used to identify statistical units: **number of employees**; **type of institution** (private enterprise, public enterprise); **general enterprise characteristics** (form of activity, with the categories: capital-intensive/labour-intensive/knowledge-intensive; type of goods produced, with the categories: consumer goods/intermediate goods/investment goods; export intensity, the exports of the enterprise as a ratio of sales revenue/turnover; geographic location). **Innovation indicators**: innovation or R&D intensity, the ratio between innovation expenditure (or R&D expenditure) and turnover; co-operation with other enterprises/public institutions.

In the case of **Science and Technology**, The Frascati Manual recommends *using the enterprise unit as the main statistical unit in the business enterprise sector* (Frascati Manual Par 435).

But even in this central strategic decision the Manual is ‘flexible’. The Frascati Manual (Par 173) states that *When an enterprise is heterogeneous with regard to its economic activities and carries out significant amounts of R&D for several kinds of activities, the R&D should be subdivided if the necessary information can be obtained. In some countries, this is done by a division into statistical units corresponding to economic units within the enterprise. In others, the R&D activity may be broken down according to product field data.*

The Frascati Manual (Par 172) defines the enterprise as *the organisational unit of a business which directs and controls the allocation of resources relating to its domestic operations, and for which consolidated financial and balance sheet accounts are maintained. From these accounts, it is possible to derive international transactions, an international investment position and a consolidated financial position for the unit. It is therefore recommended to use the enterprise unit as the reporting unit and, with exceptions, as the*

statistical unit in the business enterprise sector. Within a group of enterprises, it is desirable to obtain separate returns for each of the legal units performing R&D, using estimations if necessary.

One of two alternatives mentioned in the Frascati Manual for establishing the survey population is to base the choice of enterprises on a business register of good quality. The Regulation for business registers for statistical purposes is not mentioned in this context. The following variables are used to identify statistical units: **number of employees** and **form of activity**.

To sum up, no reference to the Regulation for business registers for statistical purposes. From Frascati as well as from the Oslo Manual one can conclude that both Manuals are quite flexible with the respect to the choice of statistical unit.

What concerns **Science and Technology statistics** in general terms the Frascati Manual recommends using *the enterprise unit as the reporting unit and, with exceptions, as the statistical unit in the business enterprise sector* (Frascati Manual Par 435). Only when an enterprise is heterogeneous with regard to its economic activities and carries out significant amounts of R&D for several kinds of activities, the unit should be subdivided if the necessary information can be obtained. *One of two alternatives mentioned in the Frascati Manual for establishing the survey population is to base the choice of enterprises on a business register of good quality* (Par 436). The Regulation for business registers for statistical purposes is not mentioned in this context.

What concerns **Statistics on Innovation** the Oslo Manual states that the enterprise is in general the most appropriate statistical unit. In some instances, there may be interest in collecting data at a lower organizational level than the enterprise. In some cases for very large enterprises with more than one economic activity, the appropriate primary statistical unit can be the KAU, with the KAU consisting of one or more legal units, or part of a legal unit. *Without mentioning the relevant Regulation for business registers for statistical purposes the Oslo Manual acknowledges that an ideal frame for any sample survey is an up-to-date official business register established for statistical purposes* (Oslo Manual, Par 429).

Structure of Earnings Survey (SES)/Labour Costs Survey (LCS)

Article 5 ‘Statistical units’ of the **Council Regulation (EC) No 530/1999** of 9 March 1999 concerning structural statistics on earnings and on labour costs states that *the compilation of the statistics shall be based on local units and enterprises as defined in Council Regulation (EEC) No 696/93 of 15 March 1993 on the statistical units for the observation and analysis of the production system in the Community*.

More detailed description is in Chapter 3.2 Local unit.

Vocational training in enterprises

The statistical unit to be addressed is the enterprise as defined in Regulation No 696/93 (Article 2 of REGULATION (EC) No 1552/2005 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 7 September 2005 on statistics relating to vocational training in enterprises).

The population of interest for the CVTS4 is the enterprises within each participating country with 10 or more persons employed belonging to the NACE Rev.2 categories B, C10-C12, C13-C15, C17-C18, C19-C23, C24-C25, C26-C28 and C33, C29-C30, C16+C31-32, D-E, F, G(45), G(46), G(47), I, H, J, K(64,65), K(66), L+M+N+R+S.

The sampling frame is the device that delimits, identifies and allows access to the enterprises in the population. Ideally, there exists a register or list of all enterprises in the population of interest.

The Statistical Business Register (SBR) described in the Regulation (EC) No 177/2008 Regulation (EC) No 177/2008 of the European Parliament and of the Council establishing a common framework for business registers for statistical purposes establishing a common framework for business registers for statistical purposes, will be the main source for the sampling frame in Member States.

The sampling frame must be of good quality and contain up-to-date information. This means that:

- a) The number of enterprises not represented in the frame must be small.
- b) It must, to a sufficiently large extent, be possible to identify enterprises in the frame that do not belong to the population before the sample is taken. If this cannot be done, enterprises of no interest for the survey will be included in the sample and this could result in biased estimates.

c) Variables that are used to identify strata (NACE and size) must to a very large extent have correct values. Otherwise precision in the estimates will be lower as needed.

For each unit in the frame it must be possible to decide whether it belongs to the population or not. A rule for this must clearly be stated. The frame quality should be clearly stated, especially in the national sampling plan.

Energy Statistics

In accordance with the **Regulation (EC) No 1099/2008** of the European Parliament and of the Council of 22 October 2008 on energy statistics (Annex A, Article 2) *producers are classified according to the purpose of production:*

- *Main activity producer: enterprises, both privately or publicly owned, which generate electricity and/or heat for sale to third parties, as their principal activity.*
- *Autoproducers: enterprises, both privately or publicly owned, which generate electricity and/or heat wholly or partly for their own use as an activity which supports their primary activity*

There is used the term ‘enterprise’ but no reference to Regulation 696/93 on the statistical units for the observation and analysis of the production system in the Community. Energy statistics also covers a part of production system. For information should be used its main activity as well as a secondary activity the energy statistics observe not only the main activity producer but also enterprises which generate electricity and/or heat wholly or partly for their own use as an activity which supports their primary activity.

Directive 90/377/EEC provides details concerning the form, content and all other features of the information to be provided by undertakings which supply gas or electricity to industrial end-users. There is also no Reference to Regulation 696/93.

To sum up, Energy Statistics is not based on a definition of a statistical unit and there is a weak notion of the statistical unit. The term ‘enterprise’ is used in Regulation No 1099/2008, but from the context it is clear that this term does not refer to the enterprise according to the definition provided for in Regulation No 696/93.

3.2. Local unit

Business Register

Article 3(3) of the BR Regulation states that *Local units not constituting separate legal entities (branches), which are dependent on foreign enterprises, and classified as quasi-corporations in accordance with the European System of Accounts 1995 set up by Council Regulation (EC) No 2223/96 of 25 June 1996 on the European system of national and regional accounts in the Community (1) and the United Nation's 1993 System of National Accounts, shall be deemed to be enterprises for the purposes of the business registers.* This means that, in such cases, the enterprise is considered to be equivalent to the local unit or group of local units under common foreign control. Typical examples are the offices of overseas airlines in major airports. The business registers shall contain the following information by local unit.

| LOCAL UNIT | | | |
|---|-------|-------------|---|
| Identification characteristics | 2.1. | | Identity number |
| | 2.2a. | | Name |
| | 2.2b. | | Address (including postcode) at the most detailed level |
| | 2.2c. | Optional | Telephone and fax numbers, e-mail address, and information to permit electronic collection of data |
| | 2.3. | | Identity number of the enterprise (3.1), to which the local unit belongs |
| Demographic characteristics | 2.4. | | Date of commencement of activities |
| | 2.5. | | Date of final cessation of activities |
| Economic/stratification characteristics | 2.6. | | Principal activity code at NACE 4-digit level |
| | 2.7. | Conditional | Secondary activities*, if any, at NACE 4-digit level; this point concerns only local units which are the subject of surveys |

| | | | |
|----------------------------|--------|-------------|--|
| | 2.8. | Optional | Activity carried out in the local unit constituting an ancillary activity of the enterprise to which it belongs (Yes/No) |
| | 2.9. | | Number of persons employed** |
| | 2.10a. | | Number of employees |
| | 2.10b. | Optional | Number of employees in full-time equivalents |
| | 2.11. | | Geographical location code |
| Link with enterprise group | 2.12. | Conditional | Reference to associated registers, in which the local unit appears and which contain information which can be used for statistical purposes (if such associated registers exist) |

* According to the Manual secondary activities can be used for determining LKAUs, which are of key importance for National Accounts.

** As regards employment according to according to the Manual the business registers should record the actual numbers of persons employed and employees, both as head counts and the latter also in full time equivalents. The main aim is to obtain stratification variables. The Structural Business Statistics (SBS) definitions (for variables 16 11 0, 16 13 0 and 16 14 0) should be used, with the exception that the requirement to measure the numbers as annual averages does not apply.

Structural Business Statistics

The local unit is asked in Common module (Module I), Industry (Module II), Trade (Module III), Construction (Module IV) and Credit institutions (Module VI), as defined in Regulation No 696/93.

Tourism

The manual “Community methodology on tourism statistics” describes two basic statistical units for preparation of data for accommodation statistics. The basic is statistical unit (observation unit) that is mentioned in Regulation 696/2011 - local kind of activity unit and *alternative unit is local unit* that can be used *as the basic statistical unit of tourism accommodation establishments*. There is necessary to take into account that in some cases the enterprise, the local unit and the local unit kind of activity unit coincide, but it is quite common for one enterprise to comprise two or more establishment or facilities of the same kind (e.g. chains of hotels, motels, holiday villages) or of a different kind (combination of holiday dwellings and hotels, hotels and restaurants, etc.).

FATS

According to FATS **Regulation No 716/2007** *statistics on foreign affiliates to measure direct and indirect effects of foreign control on employment, wages and productivity in particular counties and sectors are necessary*. The Inward statistics on foreign affiliates (Inward FATS) and Outward statistics on foreign affiliates (Outward FATS) to provide the growing demand for data in this field.

Accordance with FATS Regulation No 716/2007 Article 2:

- The Inward FATS statistical units are the enterprises and all branches which are under foreign control;
- The Outward FATS statistical units are the enterprises and all branches abroad that are collected by an institutional unit resident in the compiling economy.

Branches mean local units not constituting separate legal entities, which are dependent on foreign-controlled enterprises. They are treated as quasi-corporate enterprises within the meaning of point 3(f) of the Explanatory notes to Section III (B) of the Annex to Regulation (EEC) No 696/93. Only branches with permanent address should be covered for FATS statistics.

The terms “enterprise”, local unit” and “institutional unit” that are used in definitions have the same meaning as in Regulation (EEC) No 696/93 on statistical units.

The “Foreign Affiliates Statistics (FATS): Recommendation manual” explain *that the institutional unit is needed for the definition of control, not as an observation unit*.

The FATS Regulation No 716/2007 Article 4 (2) states that *data sources are natural and legal persons*. The “Foreign Affiliates Statistics (FATS): recommendation manual” explain that meaning of natural and legal

persons are the same as legal unit definition is regulation No 696/63 on statistical units. According to the Regulation No 696/93 definition legal units include:

- Legal persons whose existence is recognised by law independently of the individuals or institutions which may own them or are members of them;
- Natural persons who are engaged in an economic activity in their own right.

It is further stated that ‘the legal unit always forms, either by itself or sometimes in combination with other legal units, the legal basis for the statistical unit known as the ‘enterprise’. [Manual 19.lpp] Information should be collected at any time a given reference period, if legal unit are economically active or are part of a chain of control of active legal units.

As mentioned before the Regulation No 176/2007 states that *for the preparation of economic, competition, enterprise, research, technical development and employment policies in the context of the liberalisation process, statistics on foreign affiliates to measure direct and indirect effects of foreign control on employment, wages and productivity in particular countries and sectors are necessary.*

The FATS Regulation No 176/2007 Article 4 (1) states that Member States *collect the information required under this Regulation using all the sources they consider relevant and appropriate.*

The Business register as important source for identifying the target population of Inward FATS and Outward FATS statistics is underlined in the “Foreign Affiliates Statistics (FATS): recommendation manual”. According to the Annexes of Regulation No 177/ 2008 the Business register should contain very important information for FATS on the links of control and ownership. Also very important is data on multinational enterprise groups and their constituent unit. Information required by the Business register for IFATS and OFATS [Manual 56-57p un 87-88p]

Control of units:

The resident control links can be recorded either top-down (1.11a) or bottom-up (1.11b). Only the first level of control, direct or indirect, is recorded for each unit (the whole chain of control can be obtained by combining these).

1.11a: Identity number(s) of resident legal unit(s) which are controlled by the legal unit

1.11b: Identity number of the resident legal unit which controls the legal unit

1.12a: (a) Country(ies) of registration, and (b) identity number(s) or name(s) and address(es) of the non-resident legal unit(s) which are controlled by the legal unit

1.12b: Conditional — VAT number(s) of non-resident legal unit(s) which are controlled by the legal unit

1.13a: Country of registration and identity number or name and address of the non-resident legal unit which controls the legal unit

1.13b: Conditional — VAT number of the non-resident legal unit which controls the legal unit

Ownership of units — all conditional:

The resident ownership can be recorded either top-down (1.14a) or bottom-up (1.14b). The recording of the information and the threshold used for the shareholding are subject to the availability of this information in the administrative sources. The recommended threshold is 10 % or more of direct ownership

1.14a: (a) Identity number(s) and (b) shares (%) of resident legal unit(s) owned by the legal unit

1.14b: (a) Identity number(s) and (b) shares (%) of resident legal unit(s) which own(s) the legal unit

1.15: Country(ies) of registration and (b) identity number(s) or name(s), address(es) and VAT number(s) and (c) shares (%) of non-resident legal unit(s) owned by the legal unit

1.16: Country(ies) of registration and (b) identity number(s) or name(s), address(es) and VAT number(s) and (c) shares (%) of non-resident legal unit(s) which own(s) the legal unit

Multinational enterprise groups:

4.13a: Identity number of the global group head (UCI), if the group head (UCI) is resident (i.e. the identity number of the legal unit which is the group head). If the global group head is non-resident, its country of registration

4.13b: Optional — global group head identity number or name and address, if non-resident The recording of variables 4.11 and 4.12a is optional until transmission of information on multinational groups has been established:

- 4.11: Identity number of the global group
- 4.12a: Name of the global group
- 4.12b: Optional — Country of registration, postal, electronic mail and website addresses of the global head office

Economic/Stratification characteristics — all optional:

- 4.14: Number of persons employed globally
- 4.15: Consolidated global turnover
- 4.16: Country of global decision centre
- 4.17: Countries where enterprises or local units are located

The IFATS following characteristics as defined in the Annex to Commission Regulation (EC) No 2700/98 of 17 December 1998 concerning the definitions of characteristics for structural business statistics will be compiled:

- 11 11 0 | Number of enterprises |
- 12 11 0 | Turnover |
- 12 12 0 | Production value |
- 12 15 0 | Value added at factor cost |
- 13 11 0 | Total purchases of goods and services |
- 13 12 0 | Purchases of goods and services purchased for resale in the same condition as received |
- 13 31 0 | Personnel costs |
- 15 11 0 | Gross investment in tangible goods |
- 16 11 0 | Number of persons employed |

The some data are comparable with R&D statistics.

The NACE code breakdown levels for OFATS and IFATS are defined in Accordance Regulation 747/2008 Annexes.

The information provided under existing legislation is insufficient or insufficiently comparable to serve as a reliable basis for Community statistics preparation.

To sum up, the FATS statistics uses the enterprise and the branch. The definition of “enterprise” is used the same as in Regulation 696/93. The term ‘branch’ is not mentioned in Regulation No696/93. The meaning of term „branch” explained by FATS Regulation. The definition on local unit is used the same as in Regulation 696/93.

Related statistical domains OFATS: Business Register, Foreign Direct Investment.

Related statistical domains IFATS: Business Register, Foreign Direct Investment, Structural Business Statistics, Research and Development (every 2 year).

Structure of Earnings Survey (SES)/Labour Costs Survey (LCS)

Article 5 ‘Statistical units’ of the **Council Regulation (EC) No 530/1999** of 9 March 1999 concerning structural statistics on earnings and on labour costs states that *the compilation of the statistics shall be based on local units and enterprises as defined in Council Regulation (EEC) No 696/93 of 15 March 1993 on the statistical units for the observation and analysis of the production system in the Community.*

Characteristics relating to the local unit (**Council Regulation (EC) No 530/1999**):

| Survey | Variable | Definition |
|---------------------------------------|--|--|
| LCS and SES (Article 6 1(a) and 2(a)) | Region | NUTS 1 level |
| | Size of enterprise to which local unit belongs | 10-49, 50-249, 250-499, 500-999, 1 000 or more employees |
| | Economic activity | At the division level of NACE Rev. 2 |
| Only for SES (Article 6 2(a)) | Form of economic and financial control | Within the meaning of Commission Directive 80/723/EEC of 25 June 1980 on the transparency of financial relations between Member States and public undertakings |
| | Type of collective pay agreement in force | |

The economical activities to be covered are defined in Article 3 “Scope” of the Regulation: *The statistics shall cover all economic activities defined in sections B (Mining and quarrying), C (Manufacturing), D (Electricity, gas, steam and air conditioning supply), E (Water supply; sewerage, waste management and remediation activities), F (Construction), G (Wholesale and retail trade; repair of motor vehicles and motorcycles), H (Transportation and storage), I (Accommodation and food service activities), J (Information and communication activities), K (Financial and insurance activities), L (Real estate activities), M (Professional, scientific and technical activities), N (Administrative and support service activities), P (Education), Q (Human health and social work activities), R (Arts, entertainment and recreation activities) and S (Other service activities) of the statistical classification of economic activities in the European Community (NACE Rev. 2).*

COMMISSION REGULATION (EC) No 1738/2005 of 21 October 2005 amending Regulation (EC) No 1916/2000 as regards the definition and transmission of information on the structure of earnings also defines variables relating to local unit in SES: Annex I “List of variables” point 1.:

1. Information about the local unit to which the sampled employees are attached

1.1. Geographical location of the local unit (NUTS-1)

1.2. Size of the enterprise to which the local unit belongs

1.3. Principal economic activity of the local unit (NACE Rev. 1.1.)

1.4. Form of economic and financial control

1.5. Collective pay agreement

1.6. Total number of employees in the local unit in the reference month (optional)

1.7. Affiliation of the local unit to a group of enterprises (optional)

In Eurostat's implementation arrangements documents for SES 2010 information about local unit to be provided is defined in point 2.1:

2.1 Information about the local unit to which the sampled employees are attached

| Variable | Definition |
|---|--|
| Variable 1.1 Geographical location of the statistical unit (local unit) (NUTS-1) | The region in which the statistical (local unit) is located must be classified according to the nomenclature of territorial statistical units (NUTS, level 1). Each region should be classified according to the nomenclature of territorial statistical units, level 1 (NUTS 1). |
| Variable 1.2 Size of the enterprise to which the local unit belongs | The size of the enterprise (in terms of number of employees) should be assigned to one of the following bands: 1-9 (optional), 10-49, 50-249, 250-499, 500-999, 1000 and more employees. |
| Variable 1.3 Principal economic activity of the local unit (NACE Rev. 2) | The main economic activity should be coded at the 2-digit level of NACE Rev. 2. (Statistical Classification of Economic Activities in the European Community, Rev. 2) for sections B to S. NACE section O is optional for the 2010 SES. |
| Variable 1.4 Form of economic and financial control of the enterprise | The financial control of the enterprise should be coded as one of the following: — public control (public ownership is more than 50%), — private control (private ownership is more than 50%). Balanced public and private ownership (50/50 ‘shared control’) is very rare in practice. Therefore, such cases will not be coded separately and should, if they occur, be treated as being under ‘private control’. |
| Variable 1.5 Collective pay agreement | This is to identify the type of pay agreement covering at least 50% of the employees in the local unit. One of the following should be chosen: — an agreement at national level, or an inter-confederal agreement, covering employees of more than one industry, and usually signed by one or more trade-union confederations and by one or more national employers’ organisations, — an industry agreement setting the terms and conditions of employment for all or most workers and employees in an individual industry or economic |

| | |
|--|--|
| | <p>sector,</p> <ul style="list-style-type: none"> — an agreement for individual industries in individual regions, — an enterprise or single-employer agreement covering only those employees with the same employer, regardless of size. The agreement may cover only certain local units or groups of employees within the enterprise, — an agreement applying only to the employees in one local unit, — any other type of agreement not covered above, — no collective pay agreement exists. <p>Even if several categories may apply simultaneously, one of the above categories must be chosen ('yes' answer) if more than 50 % of the employees in the local unit are covered.</p> |
| Variable 1.6 Optional: Number of employees in the local unit | This variable represents a head count of the total number of employees in the reference month (e.g. on 1 or 31 October) and covers all employees, including apprentices, paid trainees and students. |
| Variable 1.7 Optional: Affiliation of the local unit to a group of enterprises | This variable is a binary variable ('yes'/'no') and indicates whether a local unit belongs to a group of enterprises. The group of enterprises is a statistical unit defined in Regulation (EEC) No 696/93. The group of enterprises should be considered at world level. In most cases the local unit belongs to an enterprise which is not controlled by any national or foreign group. If local units belong to an enterprise group, this is generally well known. A practical guideline that can be given to respondents is whether the accounts of the enterprise concerned are fully consolidated in the accounts of its group of enterprises. |

In Eurostat's implementation arrangements documents for SES 2010 scope of the survey is defined in point 1.3: 1.3 Scope of the survey; 1.3.1 Economic activities covered. The statistics of the 2010 SES refer to enterprises with at least 10 employees in the areas of economic activity defined by sections B-S excluding O of NACE Rev.2. The inclusion of section O is optional for 2010, as well as the inclusion of enterprises with fewer than 10 employees.

In Eurostat's implementation arrangements documents for LCS 2012 (draft) information about local unit to be provided is defined in point 2.1: 2.1. Classification schemes

| Variable | Definition |
|---|--|
| 2.1.1.NUTS and NACE classification | <p>Countries and regions should be classified according to latest the nomenclature of territorial statistical units (NUTS 2010).</p> <p>Following Art. 8 of the Regulation (EC) No 1893/2006 of the European Parliament and of the Council of 20 December 2006 establishing the statistical classification of economic activities NACE Rev.2, "statistics referring to economic activities performed from 1 January 2008 onwards shall be produced by Member States using NACE Rev. 2".</p> <p>NACE classifies activities without distinguishing if the activity is carried out by public or private body and if it is carried out as profit or non-profit activity. These splits are therefore irrelevant for the inclusion or non-inclusion of an enterprise in the LCS.</p> <p>The coverage of NACE Rev. 2 section O is still optional.</p> |
| 2.1.2.Classification of enterprises by size bands | The size of the enterprise, in terms of number of employees, should remain classified in the same bands as in previous LCS rounds. Hence, an enterprise should be classified to one of the following bands: 1 to 9 (optional), 10 to 49, 50 to 249, 250 to 499, 500 to 999, 1000 and more employees. |

Main variables

Council Regulation (EC) No 530/1999 of 9 March 1999 concerning structural statistics on earnings and on labour costs

| Survey | Variable | Definition |
|-------------------------|--|--|
| LCS (Article 6 1(b)) | Total annual labour costs | Distinguishing wages and salaries (broken down into direct remuneration and bonuses, payments to employees' savings schemes, payment for days not worked and wages and salaries in kind), the employer's social contributions, (broken down into actual and imputed social contributions), vocational training costs, other expenditure and taxes, and also subsidies directly related to labour costs |
| | Average annual number of employees | Distinguishing full-time employees, part-time employees, and apprentices |
| | Annual number of hours | Hours worked and hours paid, in each case distinguishing full-time employees, part-time employees, and apprentices |
| SES | All variables are defined relating to employee in the sample | |

Waste statistics

The Regulation No 2150/2002 on waste statistics states that *Regular Community statistics on the production and management of waste from businesses and private households are required by the Community for monitoring the implementation of waste policy.* According to Regulation No 2150/2002 Annex I on waste statistics *statistical units are local units or kind-of-activity units, as defined in Council Regulation (EEC) No 696/93 of 15 March 1993 on the statistical units for the observation and analysis of the production system in the Community(1), according to each Member State's statistical system.* Similar provisions can be found in Annex II: statistical units are local units or KAUs as defined in Regulation No 696/93.

As already mentioned in Manual on waste statistics the local unit (LU) is an enterprise or part thereof (e.g. a workshop, factory, warehouse, office, mine or depot) situated in a geographically identified place. At or from this place economic activity is carried out for which — save for certain exceptions — one or more persons work (even if only part-time) for one and the same enterprise.

With regard to work carried out at different places (maintenance, construction and demolition, etc.), the LU is taken to be the place from which instructions emanate or from where the work is organised.

A 'geographically identified place' must be subject to a strict interpretation: two units belonging to the same enterprise must be seen as two units even if they are located close to each other and a large single site straddling two administrative regions must be regarded as a single unit, with the postal address determining the location of the unit.

3.3. Kind-of-activity unit

Structural Business Statistics

For industry (NACE Rev. 2 Sections B, C, D and E) in addition a number of important KAU characteristics are to be compiled such as turnover, production value, wages and salaries, gross investment in tangible goods and the number of persons employed. For construction (Section F of NACE Rev. 2) a number of KAU characteristics are also to be compiled.

Waste statistics

The kind-of-activity unit (KAU) groups all the parts of an enterprise contributing to the performance of an activity at class level (four digits) of NACE Rev. 2 and corresponds to one or more operational subdivisions of the enterprise. The enterprise's information system must be capable of indicating or calculating for each KAU at least the value of production, intermediate consumption, manpower costs, the operating surplus, and employment and gross fixed capital formation.

The KAU was devised as an observation unit in order to improve the homogeneity of the results of statistical surveys by activity and hence the international comparability of these results, since at the level of the enterprise different types of horizontal and vertical integration can be observed at both national and international level. (Manual 23 p.)

Short-Term Statistics

In accordance with COUNCIL REGULATION (EC) No 1165/98 of 19 May 1998 concerning short-term statistics, short-term business statistics use the KAU for industry and construction. The short-term business statistics regulation foresees the possibility of exceptions. For industry and construction the local unit or the enterprise might be used instead of the KAU for those enterprises with few persons employed in secondary activities. Statistical units are defined according to Regulation No 696/93.

The Annex A: Industry applies to all activities listed in Sections B to E of NACE Rev. 2, or as the case may be, to all products listed in Sections B to E of the CPA. The information is not required for 37, 38.1, 38.2 and 39 of NACE Rev. 2.

The Annex B: Construction applies to all activities listed in Section F of NACE Rev. 2. Where appropriate, the statistics may be derived from information produced according to the classification of constructions (CC).

3.4. Local Kind-of-activity unit

Tourism

According to the **Regulation (EU) No 692/2011** of the European Parliament and of the Council of 6 July 2011 concerning European statistics on tourism and repealing Council Directive 95/57/EC Article 1(l) tourism accommodation establishment is local kind of activity unit, as defined in the Annex to Council Regulation (EEC) No 696/93 of 15 March 1993 on the statistical units for the observation and analysis of the production system in the Community, providing as a paid service – although the price might be partially or fully subsidized — short-stay accommodation services as described in groups 55.1 (hotels and similar accommodation), 55.2 (holiday and other short-stay accommodation) and 55.3 (camping grounds, recreational vehicle parks and trailer parks) of NACE Rev. 2. The statistical units in tourism statistics are used only for calculation of data on the capacity and occupancy of tourist accommodation establishments.

National Accounts

In order to describe processes of production and for input-output analysis, the system groups local kind-of-activity units (local KAUs) into industries on the basis of their type of activity. An activity is characterized by an input of products, a production process and an output of products (ESA Par 1.27.).

The ESA Par 2.106 defines the local kind-of-activity unit (local KAU) as the part of a KAU which corresponds to a local unit. The KAU groups all the parts of an institutional unit in its capacity as producer contributing to the performance of an activity at class level (four digits) of the NACE rev. 1 and corresponds to one or more operational subdivisions of the institutional unit. The institutional unit's information system must be capable of indicating or calculating for each local KAU at least the value of production, intermediate consumption, compensation of employees, the operating surplus and employment and gross fixed capital formation.

The local unit is an institutional unit producing goods and services or a part thereof situated in a geographically identified place. A local KAU may correspond to an institutional unit as producer or a part thereof; on the other hand, it can never belong to two different institutional units.

ESA Par 2.106: If an institutional unit producing goods and services contains a principal activity and also one or several secondary activities, it should be subdivided into the same number of KAUs, and the secondary activities should be classified under different headings from the principal activity. On the other hand, the ancillary activities are not separated from the principal or secondary activities. But KAUs falling within a particular heading of the classification system can produce products outside the homogeneous group on account of secondary activities connected with them which cannot be separately identified from available accounting documents. Thus a KAU may carry out one or more secondary activities.

3.5. Other statistical units

Business Register

Article 3 of BR Regulation states that in accordance with the definitions given in Article 2 and subject to the limitations specified in this Article, registers shall be compiled of *truncated enterprise groups* and *multinational enterprise groups*; and *all-resident enterprise groups*.

For the purposes of the **BR Regulation**, '*enterprise group*' shall be as defined in the Annex to Regulation (EEC) No 696/93; '*multinational enterprise group*' shall mean an enterprise group which has at least two enterprises or legal units located in different countries; '*truncated enterprise group*' shall mean the enterprises and the legal units of a multinational enterprise group, which are resident in the same country. It may comprise only one unit, if the other units are non-resident. An enterprise may be the truncated enterprise group or part thereof.

Enterprise groups can be identified through the links of control between their legal units. In order to delineate enterprise groups, the definition of control set out in point 2.26 of Annex A to Regulation (EC) No 2223/96 shall be used. (Article 3(4))

The business registers shall contain the following information by Enterprise group:

| ENTERPRISE GROUP | | | |
|---|--------|------------------|---|
| IDENTIFICATION CHARACTERISTICS | 4.1. | | Identity number of the all-resident/truncated group |
| | 4.2a. | | Name of the all-resident/truncated group |
| | 4.2b. | Optional | Postal, e-mail and website addresses of the resident/truncated head office |
| | 4.3. | Part conditional | Identity number of the all-resident/truncated group head (equals the identity number of the legal unit, which is the resident group head). Conditional if the controlling unit is a natural person, who is not an economic operator, recording is subject to the availability of this information in the administrative sources |
| | 4.4. | | Type of enterprise group: 1. all-resident group; 2. domestically controlled truncated group; 3. foreign controlled truncated group |
| DEMOGRAPHIC CHARACTERISTICS | 4.5. | | Date of commencement of the all-resident/truncated enterprise group |
| | 4.6. | | Date of cessation of the all-resident/truncated enterprise group |
| ECONOMIC/STRATIFICATION CHARACTERISTICS | 4.7. | | Principal activity code of the all-resident/truncated group at NACE 2-digit level |
| | 4.8. | Optional | Secondary activities of the all-resident/truncated group at NACE 2-digit level |
| | 4.9. | | Number of persons employed in the all-resident/truncated group |
| | 4.10. | Optional | Consolidated turnover |
| Additional characteristics for multinational enterprise groups (types 2 and 3 in 4.4): The recording of variables 4.11 and 4.12a is optional until the transmission of information on multinational groups, as provided for in Article 11, has been established. | | | |
| IDENTIFICATION CHARACTERISTICS | 4.11. | | Identity number of the global group |
| | 4.12a. | | Name of the global group |
| | 4.12b. | Optional | Country of registration, postal, e-mail and website addresses of the global head office |
| | 4.13a. | | Identity number of the global group head, if the group head is resident (equals the identity number of the legal unit, which is the group |

| | | | |
|---|--------|----------|---|
| | | | head). If the global group head is non-resident, its country of registration. |
| | 4.13b. | Optional | Global group head identity number or name and address, if non-resident |
| ECONOMIC/STRATIFICATION CHARACTERISTICS | 4.14. | Optional | Number of persons employed globally |
| | 4.15. | Optional | Consolidated global turnover |
| | 4.16. | Optional | Country of global decision centre |
| | 4.17. | Optional | Countries where enterprises or local units are located |

The Business Register Recommendations Manual (2.8) notes that *the entities represented by the units held in business registers are not static. Entities are created; they may change their form, and eventually disappear. Over a period of time, their characteristics may also change. Unless the rules and procedures for recording these demographic events are standardised, and the terms and frequency of updating statistical units are harmonised, it will still be difficult to make international comparisons.*

To have information on enterprise groups is of special relevance for the following fields of business-related statistics: FATS; Foreign Direct Investment (FDI) Statistics; Balance of Payments direct reporting and surveys.

Structural Business Statistics

There are other units like „business” and „branch” in Module V (Insurance), „credit institutions” and „branches” in Module VI (Credit institutions), which are not defined in Regulation No 696/93.

In Module V a number of variables are to be reported for „life insurance businesses” of composite insurance enterprises and for „non-life insurance business” (including acceptances in reinsurance) of composite insurance enterprises. In this context reference is made to Directive 91/674/EEC on the annual accounts and consolidated accounts of insurance undertakings. Branches are defined in Regulation No 250/2009 according Article 1 of Council Directive 92/96/EEC (Third Life Assurance Directive).

In Module VI the statistics are to be compiled for the activities of all ‘credit institutions’ referred to in Article 2(1) (a) and Article 2(2) of Council Directive 86/635/EEC of 8 December 1986 with the exception of central banks. ‘Branches’ of credit institutions referred to in Article 38 of Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking-up and pursuit of the business of credit institutions (recast) whose activity falls within the scope of NACE Rev. 2 classes 64.19 and 64.92, are to be treated as ‘credit institutions’. The ‘credit institution’ selected as the statistical unit is obviously very similar to the concept of the ‘enterprise’. This might be derived from the fact that on the level of this unit characteristics such as ‘number of enterprises’, ‘number of enterprises broken down by legal status’, ‘number of enterprises broken down by residence of the parent enterprise’ and ‘number of enterprises broken down by category of credit institutions’ are to be reported. According to Regulation No 250/2009 a ‘branch’ is defined in with reference to Article 1 of the Council Directive 89/646/EEC, and as detailed in the Commission Communication on the freedom to provide services, and on the interest of the general good in the Second Banking Directive (95/C 291/06).

Statistics on External (Foreign) Trade

According to Chapter I (General provisions) Article 3 (Definitions) of the **Regulation (EC) No 223/2009** of the European Parliament and of the Council of 11 March 2009 ‘*statistical unit*’ means the basic observation unit, namely a natural person, a household, an economic operator and other undertakings, referred to by the data.

In the case of **Intrastat**, according to the **Regulation (EC) No 222/2009** of the European Parliament and of the Council of 11 March 2009 amending Regulation (EC) No 638/2004 on Community statistics relating to the trading of goods between Member States, *the parties responsible for providing the information for the Intrastat system shall be ‘the taxable person’*. According to Title III (Taxable persons) Article 9 of **Council Directive 2006/112/EC** of 28 November 2006 on the common system of value added tax ‘*taxable person*’ shall mean any person who, independently, carries out in any place any economic activity, whatever the purpose or results of that activity.

Chapter 4a (Trade by business characteristics) Article 13a of **Commission Regulation (EU) No 96/2010** of 4 February 2010 notes that *the statistical units shall be enterprises as defined in the Annex to Council Regulation (EEC) No 696/93. Statistical units are constructed by linking the identification number allocated to the party responsible for providing information pursuant to Article 9(1)(a) of Regulation (EC) No 638/2004 with the legal unit of the Business Register in accordance with the variable 1.7a referred to in the Annex to Regulation (EC) No 177/2008 of the European Parliament and of the Council.*

In the case of **Extrastat**, according to Article 5 (Statistical data) of the **Regulation (EC) No 471/2009** of the European Parliament and of the Council of 6 May 2009 on Community statistics relating to external trade with non-member countries and repealing Council Regulation (EC) No 1172/95, *Member States shall obtain the following set of data from records on imports and exports referred to in Article 3(1): (e) the trader, being the importer/consignee on import and the exporter/consignor on export.*

Article 6 of the same regulation notes that *Member States shall compile annual statistics on trade by business characteristics, namely the economic activity carried out by the enterprise according to the section or two-digit level of the common statistical classification of economic activities in the European Community (NACE) and size-class measured in terms of number of employees. The statistics shall be compiled by linking data on business characteristics recorded according to Regulation (EC) No 177/2008 with the data recorded according to Article 5(1) of this Regulation on imports and exports. To this end, national customs authorities shall provide the relevant traders' identification number to national statistical authorities. The measures designed to amend non-essential elements of this Regulation, by supplementing it, relating to the linking of the data and these statistics to be compiled, shall be adopted in accordance with the regulatory procedure with scrutiny referred to in Article 11(3).*

Chapter 3 (Compilation of statistics on trade by business characteristics and statistics on trade broken down by invoicing currency) Article 15 of the **Commission Regulation (EU) No 113/2010** of 9 February 2010 notes that *the statistical units shall be enterprises as defined in the Annex to Council Regulation (EEC) No 696/93. Statistical units are constructed by linking the trader identification number according to Article 13 with the legal unit of the Business Register according to the variable 1.7a referred to in the Annex to Regulation (EC) No 177/2008 of the European Parliament and of the Council.*

According to the **International Merchandise Trade Statistics: Supplement to the Compilers Manual (Edition 2008)** *the most important variables to be considered in this context are (i) number of establishments, (ii) number of employees (size-class), and (iii) total amount of Imports and Exports (Par 7.11). The terms “enterprise”, “establishment” and “local unit” are defined in the manual of the System of National Accounts 1993. Classifying enterprises by size-class is difficult, since practices vary widely in this respect owing to the particular economic and structural conditions of a country. A possible breakdown of class sizes is given by OECD and Eurostat (Par 7.12).*

Par 7.16. of the same Manual notes that *the enterprise is recommended as statistical unit, which means the enterprise is the unit of reporting in the link between trade and business statistics. An enterprise is the smallest combination of legal units that is an organizational unit producing goods or services and benefits from a certain degree of autonomy in decision-making, especially for the allocation of its current resources.*

Par 7.17. of the same Manual notes that *Trade statistics are recorded on the basis of transactions, where the characteristics of the traded commodities are important but those of the trading enterprises are not. By contrast, the business register is built completely on the characteristics of the enterprises. Therefore, trade data collected and registered at the level of the declaring unit of trade operators or establishments need to be connected and aggregated at the level of the whole enterprise via characteristics available in the business register. There is therefore a 1 to N relation, with $N \geq 1$, between the enterprise codes of the business register and the identification codes of the trade register. Table 7.1 summarizes these differences.*

Table 7.1. The link between trade and business registers

| Register | Unit | Code | Variable | Relationship |
|-------------------|--|--------------------------------|-------------------------------|--------------|
| Business Register | Enterprise (usually identified on the basis of legal unit) | ID number in business register | Economic Activity, Employment | 1 |

| | | | | |
|----------------|--|-------------------------|--------------|------|
| Trade Register | Trade operator (identified on the basis of declaring unit) | VAT number or trader ID | Trade values | N>=1 |
|----------------|--|-------------------------|--------------|------|

To sum up, units used in administrative sources do not correspond directly to the definition of the required statistical units. The process of converting from administrative units (which may often be equivalent to legal units) to statistical units (enterprises and local units or enterprise groups) should be made. The scope of External Trade Statistics is defined in a way quite different from the way the coverage of the various business statistics is defined. The general criterion is the movement of a good. Although the scope of the External Trade Statistics can neither be defined solely by referring to the kind of movement of goods across a border nor solely with respect to the characteristics of goods nor with sole reference to characteristics of the operators involved. A precise definition is only possible through a combination of these criteria.

Labour Cost Index (LCI)

Article 3 (3) ‘Scope’ of the **Regulation (EC) No 450/2003** of the European Parliament and of the Council of 27 February 2003 concerning the labour cost index *the LCI shall represent all statistical units as defined in Council Regulation (EEC) No 696/93 of 15 March 1993 on the statistical units for the observation and analysis of the production system in the Community*. No reference is made to the regulation governing the business register.

This article defines also economical activities to be covered: (1) ‘*This Regulation shall apply to all activities defined in sections C to O of NACE Rev.1. (2) The inclusion of economic activities defined by NACE Rev.1 sections L, M, N and O in the scope of this Regulation shall be determined in accordance with the procedure referred to in Article 12(2), taking into account the feasibility studies defined in Article 10*’. In addition Article 7 ‘Sources’ says: *Member States may produce the necessary estimates by using a combination of different sources specified below by applying the principle of administrative simplification: (a) surveys, where statistical units, as defined in Regulation (EEC) No 696/93, are asked to give timely, accurate and complete information; (b) other appropriate sources, including administrative data if these are appropriate in terms of timeliness and relevance; (c) appropriate statistical estimation procedures.*

In Article 4 of the Regulation (EC) No 450/2003 both characteristics relating to the statistical unit and main variables are given: Characteristics relating to the statistical unit

| Variable | Definition |
|-------------------|--|
| Economic activity | The data shall be broken down by economic activities defined by NACE Rev.1 sections and by further disaggregations, not beyond the level of NACE Rev.1 divisions (2 digit level) or groupings of divisions, taking account of contributions to total employment and to labour costs at Community and national levels, defined in accordance with the procedure referred to in Article 12(2). |

Main variables

| Variable | Definition |
|------------------------|--|
| Labour costs variables | Labour cost indices shall be provided separately for the three labour cost categories identified below: (a) total labour costs; (b) wages and salaries, defined by reference to item D.11 in Annex II to Regulation (EC) No 1726/1999; (c) employers' social contributions plus taxes paid by the employer less subsidies received by the employer, as defined by the sum of items D.12 and D.4 less D.5 in Annex II to Regulation (EC) No 1726/1999 An index estimating total labour costs, excluding bonuses, where bonuses are defined by D.11112 in Annex II to Regulation (EC) No 1726/1999, shall be provided, broken down by economic activities defined in accordance with the procedure referred to in Article 12(2), and shall be based on the NACE Rev.1 classification, taking into account the feasibility studies defined in |

| | |
|--|-------------|
| | Article 10. |
|--|-------------|

References for the sources of definitions of labour costs and hours worked are included in Article 2 ‘Definitions’, where two regulations are mentioned – Regulation No 1726/1999 of 27 July 1999 implementing Council Regulation (EC) No 530/1999 concerning structural statistics on earnings and on labour costs as regards the definition and transmission of information on labour costs and Council Regulation (EC) No 2223/96 of 25 June 1996 on the European system of national and regional accounts in the Community.

Job Vacancy Statistics

The definition of statistical unit in REGULATION (EC) No 453/2008 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 23 April 2008 on quarterly statistics on Community job vacancies is given in Article 1 ‘Subject matter and scope’ point 2: *Each Member State shall submit to the Commission (Eurostat) data on job vacancies at least for business units with one employee or more.*

Article 4 ‘Sources’ defines the methods may be used: *Member States shall produce the data using business surveys. Other sources, such as administrative data, may be used provided that they are appropriate in terms of quality, in accordance with Article 6.*

Characteristics relating to the statistical unit Regulation (EC) No 453/2008 Article 1: *Subject to paragraph 3, the data shall cover all economic activities defined by the common classification system for economic activities in the Community (NACE) in force, except for the activities of households as employers and the activities of extraterritorial organisations and bodies. Covering agriculture, forestry and fishing activities, as defined by the NACE in force, shall be optional. ... Owing to the growing importance of personal care services (residential care activities and social work activities without accommodation) for job creation, Member States are also requested to transmit, on an optional basis, data on job vacancies for such services. The data shall be broken down by economic activity in accordance with the NACE in force at section level. 3. Covering administration and defence, compulsory social security, education, human health and social work activities, arts, entertainments and recreation and activities of membership organisations, repair of computers and personal and household goods and other personal service activities, as defined by the NACE in force, within the scope of this Regulation, and of units with fewer than 10 employees, shall be determined taking into account the feasibility studies referred to in Article 7.*

Main variables defined in the Regulation (EC) No 453/2008:

| Variable | Definition |
|--------------------------|---|
| Number of job vacancy | Job vacancy shall mean a paid post that is newly created, unoccupied, or about to become vacant: (a) for which the employer is taking active steps and is prepared to take further steps to find a suitable candidate from outside the enterprise concerned; and (b) which the employer intends to fill either immediately or within a specific period of time. The concepts ‘active steps to find a suitable candidate’ and specific period of time’ shall be defined in accordance with the regulatory procedure with scrutiny referred to in Article 9(2). The statistics provided shall distinguish, on an optional basis, between vacancies for fixed-term and permanent jobs. |
| Number of occupied posts | Occupied post’ shall mean a paid post within the organisation to which an employee has been assigned. |

Commission Regulation (EC) No 19/2009 amending Regulation (EC) No 453/2008 gives more precise definition of job vacancies as regards to the concept *active steps to find a suitable candidate*.

National Accounts

A characteristic feature of the European System of Accounts is *the use of two types of statistical units and two ways of subdividing the economy which are quite different and serve separate analytical purposes* (ESA 1995 Par 1.27.). *In order to describe income, expenditure and financial flows, and balance sheets, the*

system groups institutional units into sectors on the basis of their principal functions, behaviour and objectives.

ESA 1995 Par 1.28. states that *Institutional units are economic entities that are capable of owning goods and assets, of incurring liabilities of engaging in economic activities and transactions with other units in their own right. For the purposes of the system, the institutional units are grouped together into five mutually exclusive institutional sectors composed of the following types of units:*

- (a) *Non-financial corporations;*
- (b) *Financial corporations;*
- (c) *General government;*
- (d) *Households;*
- (e) *Non-profit institutions serving households.*

The five sectors together make up the total economy. Each sector is also divided into subsectors. The system makes provision for a complete set of flow accounts and balance sheets to be compiled for each sector, and subsector if desired, as well as for the total economy.

The Institutional sectors

...it is impossible to consider individual institutional units separately; they must be combined into groups called institutional sectors or simply sectors, some of which are divided into subsectors (Para. 2.17.)

Each of the sectors and subsectors groups together the institutional units which have a similar type of economic behaviour. The institutional units are grouped into sectors on the basis of the type of producer they are and depending on their principal activity and function, which are considered to be indicative of their economic behaviour. A sector is divided into subsectors according to the criteria relevant to that sector; this permits a more precise description of the economic behaviour of the units. The accounts for sectors and subsectors record all the activities, whether principal or secondary, of the institutional units covered. Each institutional unit belongs to only one sector or subsector (Para. 2.18.)

When the principal function of the institutional unit is to produce goods and services, it is necessary in deciding the sector to which it should be allocated — to distinguish first of all the type of producer it is belonging to. Three types of producers are distinguished in the ESA (Para. 2.19.):

- (a) private and public market producers (see paragraph 3.24 and table 3.1 of chapter 3);
- (b) private producers for own final use (see paragraph 3.25 and table 3.1 of chapter 3);
- (c) private and public other non-market producers (see paragraph 3.26 and table 3.1 of chapter 3)

Non-financial corporations (S.11)

Definition: The sector non-financial corporations consists of institutional units whose distributive and financial transactions are distinct from those of their owners and which are market producers, whose principal activity is the production of goods and non-financial services (Para. 2.21.)

Financial corporations (S.12)

Definition: The sector financial corporations consists of all corporations and quasi-corporations which are principally engaged in financial intermediation (financial intermediaries) and/or in auxiliary financial activities (financial auxiliaries) (Para. 2.23.)

Financial intermediation is the activity in which an institutional unit acquires financial assets and at the same time incurs liabilities on its own account by engaging in financial transactions on the market (Para. 2.32.)

Auxiliary financial activities are activities closely related to financial intermediation but which are not financial intermediation themselves (Para. 2.32.)

General government (S.13)

Definition: The sector general government includes all institutional units which are other non-market producers whose output is intended for individual and collective consumption, and mainly financed by compulsory payments made by units belonging to other sectors, and/or all institutional units principally engaged in the redistribution of national income and wealth (Para. 2.68.)

Households (S.14)

Definition: The households sector covers individuals or groups of individuals as consumers and possibly also as entrepreneurs producing market goods and non-financial and financial services (market producers) provided that, in the latter case, the corresponding activities are not those of separate entities

treated as quasi-corporations. It also includes individuals or groups of individuals as producers of goods and non-financial services for exclusively own final use (Para. 2.75.)

Households as consumers may be defined as small groups of persons who share the same living accommodation, who pool some, or all, of their income and wealth and who consume certain types of goods and services collectively, mainly housing and food. The criteria of the existence of family or emotional ties may be added.

The principal resources of these units are derived from the compensation of employees, property income, transfers from other sectors or the receipts from disposal of market products or the imputed receipts from output of products for own final consumption (Para. 2.75.)

Non-profit institutions serving households (S.15)

Definition: The sector non-profit institutions serving households (NPISHs) consists of non-profit institutions which are separate legal entities, which serve households and which are private other non-market producers. Their principal resources, apart from those derived from occasional sales, are derived from voluntary contributions in cash or in kind from households in their capacity as consumers, from payments made by general governments and from property income (Para. 2.87.)

Rest of the world (S.2)

Definition: The rest of the world is a grouping of units without any characteristic functions and resources; it consists of non- resident units insofar as they are engaged in transactions with resident institutional units, or have other economic links with resident units. Its accounts provide an overall view of the economic relationships linking the national economy with the rest of the world (Para. 2.89.)

The rest of the world is not a sector for which complete sets of accounts have to be kept, although it is often convenient to describe the rest of the world as if it were a sector (Para. 2.90.)

Producers

Market producers

Definition: Market producers are local KAUs or institutional units the major part of whose output is market output (Para. 3.24.)

Definition: Market output consists of output that is disposed of on the market or intended to be disposed of on the market (Para. 3.17.)

Other non-market producers

Definition: Other non-market producers are local KAUs or institutional units whose major part of output is provided free or at not economically significant prices (Para. 3.26.)

Definition: Other non-market output covers output that is provided free, or at prices that are not economically significant, to other units (Para. 3.23.)

Producers for own final use

Definition: Producers for own final use are local KAUs or institutional units the major part of whose output is for own final use within the same institutional unit (Para. 3.25.)

Definition: Output produced for own final use consists of goods or services that are retained either for final consumption by the same institutional unit or for gross fixed capital formation by the same institutional unit (Para. 3.20.)

The distinction between market producers, producers for own final use and other non- market producers for institutional units (Table 3.1)

| Type of institutional unit | | | | Classification | |
|----------------------------|--|-------------|---|------------------------------------|------------|
| Private or public? | | NPI or not? | Sales cover more than 50 % of production costs? | Type of producer | Sector(s) |
| 1.Private Producers | 1.1.Unincorporated enterprises owned by households (excluding quasi-corporate enterprises owned by households) | | | 1.1. = Market or for own final use | Households |

| | | | | | |
|---------------------|--|---|--------------|-----------------------------|--------------------|
| | 1.2. Other private producers (including quasi-corporate enterprises owned by households) | 1.2.1. Private NPIs | 1.2.1.1. Yes | 1.2.1.1. = Market | Corporations |
| | | | 1.2.1.2. No | 1.2.1.2. = Other non-market | NPISH |
| | | 1.2.2. Other private producers that are not NPI | | 1.2.2. = Market | Corporations |
| 2. Public producers | | | 2.1. Yes | 2.1. = Market | Corporations |
| | | | 2.2. No | 2.2. = Other non-market | General Government |

A public producer is a producer that is controlled by the general government. In case of NPIs, a public producer is an NPI that is controlled and mainly financed by the general government. All other producers are private producers (Para. 3.28.)

Definition: A non-profit institution is defined as a legal or social entity created for the purpose of producing goods and services whose status does not permit them to be a source of income, profit or other financial gains for the units that establish, control or finance them. In practice, their productive activities are bound to generate either surpluses or deficits but any surpluses they happen to make cannot be appropriated by other institutional units (Para. 3.31)

ESA 1995 Par 2.12-2.13 defines the institutional unit as the institutional unit is an elementary economic decisionmaking centre characterized by uniformity of behavior and decision-making autonomy in the exercise of its principal function. A resident unit is regarded as constituting an institutional unit if it has decision-making autonomy in respect of its principal function and either keeps a complete set of accounts or it would be possible and meaningful, from both an economic and legal viewpoint, to compile a complete set of accounts if they were required.

In order to be said to have autonomy of decision in respect of its principal function, a unit must:

- (a) be entitled to own goods or assets in its own right; it will therefore be able to exchange the ownership of goods or assets in transactions with other institutional units;*
- (b) be able to take economic decisions and engage in economic activities for which it is itself held to be directly responsible and accountable at law;*
- (c) be able to incur liabilities on its own behalf, to take on other obligations or further commitments and to enter into contracts.*

In order to be said to keep a complete set of accounts, a unit must keep accounting records covering all its economic and financial transactions carried out during the accounting period, as well as a balance sheet of assets and liabilities.

The following principles apply whenever entities do not clearly possess both the characteristics of an institutional unit:

- (a) households always enjoy autonomy of decision in respect of their principal function and must therefore be institutional units, even though they do not keep a complete set of accounts;*
- (b) entities which do not keep a complete set of accounts, and for which it would not be possible or meaningful to compile a complete set of accounts if required, are combined with the institutional units into whose accounts their partial accounts are integrated;*
- (c) entities which, while keeping a complete set of accounts, have no autonomy of decision in the exercise of their principal function are combined with the units which control them;*
- (d) entities which satisfy the definition of an institutional unit are treated as such even if they do not publish their accounts;*
- (e) entities forming part of a group of units engaged in production and keeping a complete set of accounts are deemed to be institutional units even if they have partially surrendered their autonomy of decision to the central body (the holding corporation) responsible for the general direction of the group; the holding corporation itself is deemed to be an institutional unit distinct from the units which it controls, unless (b) is applicable;*
- (f) quasi-corporations keep a complete set of accounts and have no independent legal status. However, they have an economic and financial behaviour that is different from that of their owners and similar to that of*

corporations. Therefore they are deemed to have autonomy of decision and are considered as distinct institutional units.

According to the ESA (Par 2.16.) the following are deemed to be institutional units:

(a) units which have a complete set of accounts and autonomy of decision:

1. private and public corporations;
2. cooperatives or partnerships recognized as independent legal entities;
3. public producers which by virtue of special legislation are recognized as independent legal entities;
4. non-profit institutions recognized as independent legal entities;
5. agencies of general government;

(b) units which have a complete set of accounts and which are deemed to have autonomy of decision: quasi-corporations;

(c) units which do not necessarily keep a complete set of accounts, but which by convention are deemed to have autonomy of decision:

1. households;
2. notional resident units.

The industry

Definition: An industry consists of a group of local KAUs engaged in the same, or similar, kind-of-activity. At the most detailed level of classification, an industry consists of all the local KAUs falling within a single class (four digits) of NACE Rev. 2 and which are therefore engaged in the same activity as defined in the NACE Rev. 2

The unit of homogeneous production

Definition: The distinguishing feature of a unit of homogeneous production is a unique activity which is identified by its inputs, a particular process of production and its outputs. The products which constitute the inputs and outputs are themselves distinguished not only by their physical characteristics and the extent to which they are processed but also by the technique of production used: they can be identified by reference to a classification of products (Para. 2.112.)

If a goods and services producing institutional unit carries out a principal activity and also one or more secondary activities, it will be partitioned into the same number of units of homogeneous production. Ancillary activities are not separated from the principal or secondary activities. Services for own final use concern only housing services produced by owner-occupiers and domestic services produced by employing paid staff. Just like the local KAU, the unit of homogeneous production may correspond to an institutional unit or a part thereof; on the other hand, it can never belong to two different institutional units (Para. 2.113.)

The 'institutional unit' in Regulation No 696/93 is defined in a different manner: According to the definition in Section III B 'the institutional unit is an elementary economic decision-making centre characterised by uniformity of behaviour and decision-making autonomy in the exercise of its principal function. A unit is regarded as constituting an institutional unit if it has decision making autonomy in respect of its principal function and keeps a complete set of accounts. Institutional units have to meet two criteria: The unit must be responsible and accountable for the decisions and actions it takes. This definition is in line with the ESA criterion 'that institutional are capable of owning goods and assets, of incurring liabilities of engaging in economic activities and transactions with other units in their own right'. In addition institutional units according to the Unit Regulation have to keep accounting records covering all its economic and financial transactions carried out during the accounting period, as well as a balance sheet of assets and liabilities. There is no equivalent provision in the ESA definition. [External]

In the first of the explanatory notes to the definition in the Unit Regulation it is however said that in the corporate enterprises sector, the enterprise corresponds to the institutional unit used in the ESA. For the purpose of this inventory of legal acts in the field of business statistics this clarification is very relevant: 'enterprises' according to Regulation No 696/93 can be viewed as consistent with the concept of an 'institutional unit' according to the ESA terminology. [External]

As it is stressed in the ESA there is a hierarchical relationship between institutional units and LKAUs. An institutional unit contains one or more entire local KAUs; a local KAU belongs to one and only one

institutional unit. Despite the existence of such a hierarchical relationship and its relevance for establishing and maintaining the link between the sector accounts and the data by industry the ESA does not mention the business register for statistical purposes at all. [External]

In Regulation No 177/2008 establishing a common framework for business registers for statistical purposes not much attention is paid to the needs of National Accounts to document the link between the two layers of the system. Reference to the ESA according to Regulation No 2223/93 is made only twice. It only deals with the treatment of branches and with the definition of enterprise groups. [External]

The statistical unit 'local KAU' on which the input-output system and all accounts by industries are based does not show up among the units distinguished in the business register. [External]

Balance of Payments and Foreign Direct Investment

REGULATION (EC) No 184/2005 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 12 January 2005 on Community statistics concerning balance of payments, international trade in services and foreign direct investment distinguishes five statistical projects which correspond to five data flows which have to be transmitted:

- Balance of Payments Euro Indicators
- Balance of Payments Quarterly Statistics
- International Trade in Services
- Foreign Direct Investment (FDI) flows
- Foreign Direct Investment (FDI) positions

All five statistical projects belong to the category of macro-economic statistics. They aim at covering all transactions of resident units in all sectors of the economy (including household) with non-resident units.

Regulation No 184/2005 includes no explicit provision as regards statistical units; no direct reference is made to Regulation No 696/93 on the statistical units although in the definitions as laid down in Annex II of this Regulation term like 'enterprise' are used several times. Article 3 of Regulation No 184/2005 notes that administrative data sources such as business registers may be an important source for obtaining the information required. The business register for statistical purposes according to Regulation No 177/2008 or Regulation No 2186/93 is however not mentioned.

Balance of payments and international investment position manual (4.11) states that *an economy consists of all the institutional units that are resident in a particular economic territory.*

The **BALANCE OF PAYMENTS** manual refers to 'institutional units' to define residency and to distinguish between residents and non-residents. The BPM also refers to the 'enterprise' several times. The term 'enterprise' is used in the same way as in the SNA. From the perspective of the analytical orientation the 'statistical unit' is the 'resident units of an economy' because the main objective is to identify and to measure the transactions between this unit and all non-residents units. As regards the empirical implementation of this basic concept one has to select reporting units for collecting information with the help of surveys. It seems that in this respect the BPM (implicitly) relies on the enterprise as the main reporting unit.

The OECD **Benchmark Definition of FDI** includes a special Chapter (3.2) devoted to the different statistical units. 'Institutional units' in the same meaning as in the SNA are primarily used to define the economic territory and the concept of residence. Foreign direct investment includes transactions /positions between a resident and a non-resident institutional unit but excludes all transactions/positions between units that are residents of the same economy. (Benchmark Definition, Par 81)

Definitions of statistical units which underpin the concepts and treatment of FDI are in line with the general principles adopted in the System of National Accounts (SNA) and the Balance of Payments Manual (BPM) and, therefore, consistent with the concepts and definitions underlying most macro-economic statistics. (Benchmark Definition, Par 77)

3.4.1. Foreign direct investor (Benchmark Definition) states *that a foreign direct investor is an entity (an institutional unit) resident in one economy that has acquired, either directly or indirectly, at least 10% of the voting power of a corporation (enterprise), or equivalent for an unincorporated enterprise, resident in another economy. A direct investor could be classified to any sector of the economy and could be any of the following:*

- i) *an individual;*

- ii) a group of related individuals;
- iii) an incorporated or unincorporated enterprise;
- iv) a public or private enterprise;
- v) a group of related enterprises;
- vi) a government body;
- vii) an estate, trust or other societal organization; or
- viii) any combination of the above.

In the case where two enterprises each own 10% or more of each other are voting power, each is a direct investor in the other.

Variables

Balance of Payments Euro Indicators

The data to be transmitted are limited to the relation vis a vis Extra-EU.

Foreign Direct Investment (FDI) flows and Foreign Direct Investment (FDI) positions

According to the Benchmark Definition FDI reflects the objective of establishing a lasting interest by a resident enterprise in one economy in an enterprise that is resident in an economy other than that of the direct investor. As a criterion the direct or indirect ownership of 10% or more of the voting power of an enterprise resident in one economy by an investor resident in another economy is taken as evidence of such a relationship (BD4, 117). In some respects the 10% criterion might also be interpreted as a kind of threshold which has to be applied. In contrast to a usual threshold which defines a minimum requirement the strict application of the 10% criterion is strictly recommended to ensure statistical consistency across countries (BD4, 117).

What is missing is a clear provision whether the 10% criterion refers to a certain date or to a minimum number of months in the year or any similar norm. As regards the FDI positions one can assume that the criterion refers to the end of the year. The phrase ‘a lasting interest’ might be interpreted in the sense that at least a relationship of a number of months needs to be established in order that the flow falls under ‘direct investment’.

The definition of the activity breakdown in Annex I of Regulation No 707/2009 in terms of NACE Rev. 2 provides no additional hint with respect to the target population. It refers to the enterprises in which is invested and not to the investing units. From the fact that a category ‘private purchases and sales of real estate’ is included one might conclude that also private households as investors should be covered.

As regards all other criteria such as size of the enterprise, legal form etc. no other thresholds are defined, although it is evident that such thresholds are used in the surveys which are the basis of Balance of Payments Statistics, Statistics on International Trade in Services and FDI Statistics.

Labour Force Statistics (LFS)

In accordance with COUNCIL REGULATION (EC) No 577/98 of 9 March 1998 on the organisation of a labour force sample survey in the Community sampling units are an *individual* or a *household*. The main statistical objectives of the Labour Force Survey is to divide the population of working age (15 years and above) into three mutually exclusive and exhaustive groups - persons in employment, unemployed persons and inactive persons - and to provide descriptive and explanatory data on each of these categories.

Definitions in accordance with methodological information:

Employed persons are persons aged 15 year and over who during the reference week performed work, even for just one hour a week, for pay, profit or family gain or were not at work but had a job or business from which they were temporarily absent because of, e.g., illness, holidays, industrial dispute and education and training.

Unemployed persons are persons aged 15-74 who were without work during the reference week, were currently available for work (within the next two weeks) and were either actively seeking work in the past four weeks or had already found a job to start within the next three months.

Inactive persons are those who neither classified as employed nor as unemployed.

There are some exceptions within EU countries on employed and unemployed person’s age.

As might seen from the User Guide several classifications based on European legislation or on international recommendations are used in the LFS for the codification of: Regions (NUTS); Activity (NACE);

Education (ISCED); Occupation (ISCO). In addition classifications by socio-demographic criteria play a dominant role.

To sum up, the main objective of the Labour Force Survey is to provide comparable information on the level and pattern of and trends in employment and unemployment. For this purpose LFS divides the population of working age into three mutually exclusive and exhaustive groups – persons in employment, unemployed persons and inactive persons. The LFS is focused on the labour market viewed from the individual and the household perspective who also are the observational statistical unit.

Relevance with other statistical domains: National Accounts and Balance of Payments; Vocational Training Statistics.

4. Final summary

The basic legal act on Statistical units is the Council Regulation (EEC) No 696/93 of 15 March 1993 on the statistical units for the observation and analysis of the production system. Regulation on statistical units for the observation and analysis of the production system is one of the most influential of all legal acts governing the European Statistical System. The list of statistical units is set out in an Annex, which gives some legal interpretation and explanatory notes. In its Annex the Regulation distinguishes and defines eight statistical units: *A. Enterprise; B. Institutional unit; C. Enterprise group; D. Kind-of-activity unit (KAU); E. Unit of homogeneous production; F. Local unit; G. Local kind-of-activity unit (LKAU); H. Local unit of homogeneous production.* The statistical units in the Regulation are defined on the basis of three criteria (Section II): - *legal, accounting or organisational criteria, - geographical criteria, and - activity criteria.*

The Regulation No 177/2008 does not require that all the statistical units distinguished in Regulation No 696/93 have to be included in the business registers for statistical purposes. The only legal unit, local unit, enterprise and enterprise group according to the Regulation No 177/2008 have to be included in the business registers. The characteristics which have to be included in the business registers are included in the Annex of Regulation No 177/2008. The Annex does not provide definitions of the characteristics (variables).

Four main types of statistical units may be distinguished:

(a) Units as defined in Regulation No 696/93, explicit reference to Regulation No 696/93

Structural Business Statistics

SBS are based on statistical units as defined in Regulation No 696/93. Data on the enterprise level has to be made available for all parts of the economy covered by Regulation No 295/2008; data on the level of KAUs only for industry and construction. The only exception refers to financial and insurance activities. The statistical unit chosen for Insurance is either the enterprise or the 'business'. A number of variables are to be reported for 'life insurance businesses' of composite insurance enterprises and for 'non-life insurance businesses' (including acceptances in reinsurance) of composite insurance enterprises. In this context reference is made to Directive 91/674/EEC on the annual accounts and consolidated accounts of insurance undertakings. Reference is also made to 'branches'. Branches are defined in Regulation No 250/2009 according Article 1 of the Council Directive 92/49/EEC (Third Non-life Insurance Directive), and Article 1 of Council Directive 92/96/EEC (Third Life Assurance Directive). Module VI for credit institutions (NACE Rev. 2 classes 64.19 and 64.92) asks for many characteristics specific for 'credit institutions' (Annex VI, Section 3). In contrast to all the other Modules (Annexes) the statistical unit 'enterprise' is not explicitly mentioned. The 'credit institution' selected as the statistical unit is obviously very similar to the concept of the 'enterprise'. This might be derived from the fact that on the level of this unit characteristics such as 'number of enterprises', 'number of enterprises broken down by legal status', 'number of enterprises broken down by residence of the parent enterprise' and 'number of enterprises broken down by category of credit institutions' are to be reported.

Short-Term Statistics

For Industry (Annex A, Sections B to E of NACE Rev. 2) and Construction (Annex B, Section F of NACE Rev. 2) the KAU should be the observational unit. For enterprises with few persons employed in secondary activities the local unit or the enterprise may instead be used as the observation unit. For retail trade

and repair (Annex C, Division 47 of NACE Rev. 2) and Other Services (Annex D, Divisions 45 and 46 and Sections H to N and P to S of NACE Rev. 2.) the observation unit for all variables is the ‘enterprise’.

Structure of Earnings Survey/Labour Cost Survey

The compilation of the statistics shall be based on local units and enterprises, depending on the Variables, reference to the definition of Regulation No 696/93.

Prodcom

The observation unit shall be the enterprise as defined in Regulation No 696/93 but Member States may collect data using another statistical unit as observation unit as long as they transmit enterprise data.

Tourism

LKAU as defined in Regulation No 696/93 as far as data on the capacity and occupancy of tourist accommodation establishments are concerned.

Waste Statistics

Local units or KAUs as defined in Regulation No 696/93 have to be used as statistical units.

Vocational Training Statistics

The statistical unit to be addressed is the enterprise as defined in Regulation No 696/93.

Statistics on the Information Society

The enterprise is explicitly mentioned as the unit of observation as defined in Regulation No 696/93.

FATS

The FATS statistics used the *enterprise* and the *branch*. The definition of *enterprise* is used the same as in Regulation No 696/93. The term *branch* is not mentioned in Regulation No 696/93. The meaning of term *branch* explained by FATS Regulation. The definition of *local unit (branch)* is used the same as in Regulation No 696/93.

Environmental expenditure

Environmental expenditure in industry is to be provided at the enterprise level.

(b) Units according to Regulation No 696/93, but exceptions and rather weak link to No 696/93

Research and Development

In these Regulations no definitions of the statistical unit to be used are given. No reference is made to Regulation No 696/93. Recommendations are given in the relevant Manuals.

Science and Technology

In general terms the Frascati Manual recommends using the enterprise unit as the reporting unit. Only when an enterprise is heterogeneous with regard to its economic activities and carries out significant amounts of R&D for several kinds of activities, the unit should be subdivided if the necessary information can be obtained.

Innovation

The Oslo Manual states that the enterprise is in general the most appropriate statistical unit. In some instances, there may be interest in collecting data at a lower organizational level than the enterprise. In some cases for very large enterprises with more than one economic activity, the appropriate primary statistical unit can be the KAU, with the KAU consisting of one or more legal units, or part of a legal unit. From Frascati as well as from the Oslo Manual one can conclude that both Manuals are quite flexible with respect to the choice of statistical unit.

Energy Statistics

Energy Statistics are not based on a definition of a statistical unit. The term ‘enterprise’ is used in Regulation No 1099/2008, but from the context it is clear that this term does not refer to the enterprise according to the definition provided for in Regulation No 696/93, although Energy Statistics also cover a part of the production system.

(c) Other well defined specific units; no reference to Regulation No 696/93 or only in a very indirect way

External trade – Intrastat; Extrastat

The Intrastat data collection system relies on the company as in the definition of the VAT system. All natural or legal persons registered for VAT in the Member State of dispatch of goods who dispatch or provide for the dispatch of the goods, and in the Member State of arrival who take delivery or provide for delivery of goods are responsible for providing the relevant information. The VAT registration number is a mandatory characteristic of all legal units in business registers according to Regulation No 177/2008.

In the majority of cases the company in the definition of the VAT system corresponds to the enterprise. But there are also differences as for example in the case of groups of companies which under specific conditions do not have separate VAT numbers for all the companies (which are treated as separate enterprises) and in the case of holding companies.

The Extrastat data collection system relies on the trader. In the majority of cases the trader corresponds to the enterprise.

Balance of Payments

The BPM refers to ‘institutional units’ to define residency and to distinguish between residents and non-residents. The BPM also refers to the ‘enterprise’ several times. The term ‘enterprise’ is used in the same way as in the SNA

Foreign Direct Investment (FDI) Statistics

‘Institutional units’ in the same meaning as in the SNA are primarily used to define the economic territory and the concept of residence. All information to be provided in a breakdown by industries has to be based on enterprise data, classified according to their principal economic activity.

National Accounts (ESA)

In order to describe income, expenditure and financial flows, and balance sheets, National Accounts rely on ‘institutional units’ which are grouped into sectors on the basis of their principal functions, behaviour and objectives.

As is pointed out in the explanatory notes of Regulation No 696/93 in the corporate enterprises sector, the enterprise corresponds to the institutional unit used in the ESA.

In order to describe processes of production and for input-output analysis, the National Accounts are based on LKAUs which are classified into industries on the basis of their type of activity.

(d) More or less undefined units

Job Vacancy Statistics

Data shall refer to business units, but no definition is given what is meant by ‘business unit’. Any reference to Regulation No 696/93 is also missing.

Labour Cost Index

Regulation No 696/93 is quoted but there are no provisions which of the units have to be used.

Labour Force Survey

The individual person is the central statistical unit, regardless of whether the sampling unit is an individual or a household. Information usually has to be collected for all individuals of the household.

The inventory comprises three types (clusters) of statistical projects which require a different way of defining the target populations:

a) Economic Units/ Activity oriented Statistics

The following projects belong to this group: *Structural Business Statistics and Business Demography; Short-Term Statistics (STS); Some of the variables covered by STS such as prices are rather commodity oriented and do not fit well into the cluster of activity oriented statistics; FATS; Tourism; Environmental expenditure; Statistics on Information and Communication Technology – Enterprises and the information society); Research and Development; Structure of Earnings Survey / Labour cost survey; Job Vacancy Statistics; Labour Cost Index; Vocational Training Statistics; FDI/International Trade in Services.*

The scope of all these projects is defined by *type of activity with reference to NACE Rev. 2*. In a number of cases this delineation is *complimented by additional criteria*. Examples are ‘under foreign control’ in the case of FATS, ‘engaged in R&D’ in the case of Research and Development Statistics and the like.

A third dimension in limiting the scope is *thresholds*. In some way or another they are tied to the size of the reporting unit which is domain specific defined either by the number of persons employed, the number of employees, the magnitude of a certain kind of transactions (as in the case of Intrastat), the number of beds, etc.

b) Person/ Household oriented Statistics

The following projects belong to this group: *Tourism - Participation in tourism; Tourism – Data on trips; Statistics on Information and Communication Technology - Individuals, households and the information society; Labour Force Survey; Structure of Earnings Survey (to some extent, although also classified under (a)).*

The populations to be addressed are defined by *residency, kind of households and age groups*.

c) Commodity oriented Statistics

The following projects belong to this group: *Prodcom; Energy Statistics; Waste Statistics; External Trade.*

The scope of these statistics is always defined with *reference to certain commodities*. This delineation is pronounced in the case of the ‘Prodcom list’ but also given in the case of energy and waste. An alternative way is to adopt kinds of transactions as in the case of external trade (in particular Extrastat) as criteria. Usually the scope is in addition also confined by activity criteria (Prodcom) or by legal criteria (VAT as in the case of Intrastat).

The issues ‘comparability’ and ‘coherence’ is key quality criteria which have to be met when developing, producing and disseminating European Statistics. Whereas *comparability* refers to the measurement of the impact of differences in applied statistical concepts, measurement tools and procedures where statistics are compared between geographical areas, sectoral domains or over time, *coherence* describes the adequacy of the data to be reliably combined in different ways and for various uses.

Coherence has two distinct dimensions: The first results from users’ needs: Coherence is a necessary condition that information from different statistical sources can be combined in an analysis in a meaningful way. The main criteria to be met are the same statistical units, same reference period, same coverage, same breakdown, same basic concepts such as flows versus stocks, etc. When some of the criteria are not completely met, the analysis might be limited to a subset of activities covered by all sources or to a level of disaggregation for which a common denominator exists in all the sources. In such an environment for analytical purposes different variables (and thus based on different definitions) in the underlying sources can be combined.

The second dimension refers to the production side of statistics. When two statistical projects are based on the same statistical units, the same reference period, the same coverage and have some of the variables in common which are defined in an identical way, the information collected for the one project might also be used for the second project. In this respect harmonisation of the methodologies may avoid double reporting and can help to save resources and to reduce the response burden.

The main inconsistency must be seen in the different statistical units on which the closely related projects rely: STS are based on *KAUs in Industry and Construction* but on *enterprises in Retail Trade and Other Services*. In particular when administrative data are to be used for the compilation it will be difficult to avoid double counting and overlapping such as in the case of manufacturing activities carried out in separate KAUs with that by enterprises classified outside Industry and Construction. *Tourism Statistics* are based on *LKAUs*. *Job Vacancy Statistics* rely on ‘*business units*’ which are not defined in terms of Regulation No 696/93 on the statistical units for the observation and analysis. *FATS* uses ‘*branches*’ as additional statistical units. In *Statistics on R&D* the statistical unit is – strictly speaking – *not explicitly defined*, although the Frascati Manual recommends using – with some exceptions - the enterprise unit as the reporting unit in the business enterprise sector. *The Structure of Earnings Survey* and *the Labour Cost Survey* are to be based on *local units* and *enterprises*.

The coverage of the closely related fields is by far not the same. The domain of NACE Sections C to D can be considered as the common subset for which all the ‘satellite information is available’. Statistics on Information and Communication Technology provide no data for Section B, Section P, Q and R and a number of additional Divisions of NACE Rev.2. A number of NACE Divisions are also not covered in the case of Innovation Statistics. The availability of data on Environmental Expenditure is limited to NACE Sections B to D.

In addition to the activity criteria a number of thresholds lead to limited comparability. Statistics on Information and Communication Technology apply a threshold of 10 people employed whereas Innovation Statistics, the Structure of Earnings Survey, the Labour Cost Survey and Vocational Training Statistics define the threshold by 10 employees.

The main conceptual differences between FATS and FDI refer to coverage. FATS concentrate on controlled units applying the 50% criterion (at least as a proxy for 'control'), whereas FDI Statistics typically include investments with a foreign ownership share of 10 % or more. The other major difference must be seen in the fact that FATS attempts to cover direct and indirect control whereas FDI is mainly concentrated on direct control.

For many variables full consistency is guaranteed by the use of definitions developed for SBS in other statistical projects such as FATS, Statistics on Information and Communication Technology and in Labour Cost Statistics. In some cases the definitions are not as elaborated as much as they are in SBS. In the case of Labour Cost Statistics comparability is nevertheless limited because of the differences in the statistical units for which the information is to be observed. Labour Cost Statistics and Structure of Earnings Statistics are both primarily based on the local unit, whereas in SBS the information has to be collected either on the level of KAUs or on the enterprise level.

There are also some exceptions with respect to the definition of variables: In SBS in contrast to R&D Statistics the number of persons employed is defined as the total number of persons who work in the observation unit (inclusive of working proprietors, partners working regularly in the unit and unpaid family workers working regularly in the unit), as well as persons who work outside the unit who belong to it and are paid by it. Being on the pay-roll is an important criterion for employees. Postgraduate students working on R&D and receiving funding for this purpose from other sources do not fall into this definition although they are to be included according to the Frascati Manual.

The definition of turnover is also somewhat different between SBS and Statistics on R&D. In SBS turnover in the non-financial fields of the economy comprises the totals invoiced by the observation unit during the reference period, and this corresponds to market sales of goods or services supplied to third parties. Turnover includes all duties and taxes on the goods or services invoiced by the unit with the exception of the value added type taxes (VAT). It also includes all other charges (transport, packaging, etc.) passed on to the customer, even if these charges are listed separately in the invoice. Reduction in prices rebates and discounts as well as the value of returned packing must be deducted.

The definition given in the Oslo Manual is not so specific; a small incompatibility might be seen in the classification in time. SBS refers to 'invoiced', whereas the Oslo Manual refers to 'earned'. The SBS definition of number of enterprises cannot be directly applied in Outward FATS because of the non-residential status of the affiliates, which are thus not included in the business register of the compiling country.

| | | | | | | | | | | | | | | | | | |
|---|---|--|---|---|---|---|---|---|---|---|---|--|--|--|---|---|---|
| Energy | X | | | | | | | | | | | | | | | | |
| Waste statistics | | | | | X | | X | | | | | | | | | | |
| Environmental expenditure | X | | | | | | | | | | | | | | | | |
| Statistics on the Information Society | X | | | | | | | | | | | | | | | | |
| Intrastat | X | | | | | | | | | | | | | | X | | |
| Extrastat | X | | | | | | | | | | | | | | | X | |
| Innovation | X | | | | | | | | X | | | | | | | | |
| Science and Technology | X | | | | | | | | | | | | | | | | |
| Employment statistics | | | | | | | | | | | | | | | | | |
| – Labour Force Survey | | | | | | | | | | | X | | | | | | |
| – Structure of Earnings Survey/Labour cost survey | X | | | | | | X | | | | | | | | | | |
| – Job vacancy statistics | | | | | | | | | | | | | | | | | X |
| – Labour cost index* | X | | X | X | X | X | X | X | | X | | | | | | | |
| Vocational Training Statistics | X | | | | | | | | | | | | | | | | |
| Balance of Payments and Foreign Direct Investment | | | | | | | | | | | | | | | | | |
| National Accounts (ESA) | | | X | | | X | | X | | X | | | | | | | |

*The LCI shall represent **all statistical units** as defined in Council Regulation (EEC) No 696/93

Table 2. Overview of variables- statistical areas at the enterprise level

| | Business Registers | Structural Business Statistics | – Common Module (Module I) | – Industry (Module II) | – Trade (Module III) | – Construction (Module IV) | – Insurance (Module V)* | – Credit institutions (Module VI) | – Pension funds (Module VII) | – Business services (Module VIII) | – Business demography (Module IX) | Short-Term Statistics | – Industry (Annex A)** | – Construction (Annex B)** | – Retail trade and repair (Annex C) | – Other services (Annex D) | Prodcom | FATS | – Inward FATS | – Outward FATS | Statistics on Information and Communication Technology Society | Environmental expenditure | – Science and Technology | – Innovation | Employment and related statistics | – Structure of Earnings Survey | – Labour Cost survey | Vocational Training Statistics | Balance of Payments | External trade-Intrastat & Extrastat | Energy |
|---|--------------------|--------------------------------|----------------------------|------------------------|----------------------|----------------------------|-------------------------|-----------------------------------|------------------------------|-----------------------------------|-----------------------------------|-----------------------|------------------------|----------------------------|-------------------------------------|----------------------------|---------|------|---------------|----------------|--|---------------------------|--------------------------|--------------|-----------------------------------|--------------------------------|----------------------|--------------------------------|---------------------|--------------------------------------|--------|
| Identification characteristics | X | | | | | | | | | | | X | X | X | X | X | | X | X | | | | | | | | | | | X | |
| Demographic characteristics | X | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Legal form | X | | X | X | X | X | X | X | X | | | | | | | | | | | | | | | | | | | | | | |
| type of institution (private enterprise, public enterprise) | | | | | | | | | | | | | | | | | | | | | | | X | | | | | | | | |
| form of activity | | | | | | | | | | | | | | | | | | | | | | X | X | | | | | | | | |
| type of goods produced | | | | | | | | | | | | | | | | | | | | | | | X | | | | | | | | |
| export intensity | | | | | | | | | | | | | | | | | | | | | | | X | | | | | | | | |
| Principal activity code at NACE 4-digit level | X | | X | X | X | X | X | X | X | | | | X | X | X | X | X | | | | | | | | | | | | | | |
| Principal activity code at NACE 2-digit level | | | | | | | | | | | | | | | | | | | | | X | X | X | | X | X | X | | X | X | |
| Principal activity code at NACE 3-digit level | | | | | | | | | | | | | | | | | | | | | X | | X | | | | | | | | |

Table 3. Relation between statistical areas at the enterprise level

| | Business Registers | SBS | STS | Prodcom | OFATS | IFATS | Tourism | Energy | Waste statistics | Environmental | Statistics on ICT | Intrastat | Extrastat | Research and Development | Employment statistics | Vocational Training Statistics | Balance of Payments and Foreign Direct Investment | National Accounts (ESA) | Labour Cost Index | Labour Cost survey | Structure of Labour force | Job vacancy | FDI | Other relevant |
|---|--------------------|-----|-----|---------|-------|-------|---------|--------|------------------|---------------|-------------------|-----------|-----------|--------------------------|-----------------------|--------------------------------|---|-------------------------|-------------------|--------------------|---------------------------|-------------|-----|----------------|
| Business Registers | | | | | | | | | | | | | | | | | | | | | | | | |
| SBS | X | | | | | | | | | | | | | | | | | | | | X | | | |
| STS | X | | | | | | | | | | | | | | | | | | | | | | | |
| Prodcom | X | | | | | | | | | | | | | | | | | | | | | | | |
| OFATS | X | | | | | | | | | | | | | | | | | | | | | | X | |
| IFATS | X | X | | | | | | | | | | | | X | | | | | | | | | X | |
| Tourism | | | | | | | | | | | | | | | | | | | | | | | | |
| Energy | X | | | | | | | | | | | | | | | | | | | | | | | |
| Environmental expenditure | X | X | | | | | | | | | | | | | | | | | | | | | | |
| Statistics on ICT | X | | | | | | | | | | | | | | | | | | | | | | | |
| Intrastat | X | | | | | | | | | | | | | | | | | | | | | | | |
| Extrastat | X | | | | | | | | | | | | | | | | | | | | | | | |
| Research and Development | | | | | | | | | | | | | | | | | | | | | | | | |
| Employment statistics | | | | | | | | | | | | | | | | | | | | | | | | |
| Vocational Training Statistics | | | | | | | | | | | | | | | | | | | | | | | | |
| Balance of Payments and Foreign Direct Investment | | | | | | | | | | | | | | | | | | | | | | | | |
| National Accounts (ESA) | | | | | | | | | | | | | | | | | | | | | | | | |
| Labour Cost Index | | | | | | | | | | | | | | | | | | | X | | | | | |
| Labour Cost survey | | X | | | | | | | | | | | | | | | | X | X | | X | | | |

Table 4. Overview of variables- statistical areas at the local unit level

| | Business Registers | Short-Term Statistics | – Industry (Annex A)* | – Construction (Annex B)* | Waste statistics | Structure of Earnings Survey/Labour cost survey | Structural Business Statistics | – Common Module (Module I) | – Industry (Module II) | – Trade (Module III) | – Construction (Module IV) | – Credit institutions (Module VI) | Structure of Earnings survey | Labour cost survey | Tourism | |
|--|--------------------|-----------------------|-----------------------|---------------------------|------------------|---|--------------------------------|----------------------------|------------------------|----------------------|----------------------------|-----------------------------------|--|--------------------|---------|--|
| Identification characteristics | X | | | | | | | | | | | | | | | |
| Demographic characteristics | X | | | | | | | | | | | | | | | |
| Principal activity code at NACE 4-digit level | X | X | X | X | | | X | X | X | X | X | X | | | X | |
| Principal activity code at NACE 2-digit level | | | | | X | | | | | | | | X | X | | |
| Secondary activity code at NACE 4-digit level | Con dition al | X | X | X | | | | | | | | | | | X | |
| Activity carried out in the local unit constituting an ancillary activity of the enterprise to which it belongs (Yes/No) | Opti onal | | | | | | | | | | | | | | | |
| Number of persons employed | X | | | | | | | | | | | | | | | |
| Number of employees | X | | | | | | | | | | | | X size of enterprise to which local unit belongs | X | | |
| Number of full time equivalent | Opti onal | | | | | | | | | | | | | | | |

| | | | | | | | | | | | | | | | | | | |
|---|-----------------|--|--|--|---|--|--|--|--|--|--|--|--------------|---|--|--|--|--|
| ?? Links to associated registers ... (if such associated registers exist) | Conditio nal | | | | | | | | | | | | | | | | | |
| Type of collective pay agreement in force | | | | | | | | | | | | | X | | | | | |
| Region (NUTS 1) | | | | | | | | | | | | | X | X | | | | |
| Region (NUTS 2) | | | | | X | | | | | | | | | | | | | |
| Form of economic and financial control of the enterprise | | | | | | | | | | | | | X | | | | | |
| Total number of employees in the local unit in the reference month | | | | | | | | | | | | | X (optional) | | | | | |
| Affiliation of the local unit to a group of enterprises | | | | | | | | | | | | | X (optional) | | | | | |
| | | | | | | | | | | | | | | | | | | |

*Only for enterprises with few persons employed in secondary activities the local unit or the enterprise may be used as the observation unit

Table 5. Relation between statistical areas at the local unit level

| | Business Registers | SBS | STS | Prodcom | OFATS | IFATS | Tourism | Energy | Waste statistics | Statistics on ICT | Research and Development | Employment statistics | Vocational Training | Balance of Payments | National Accounts (ESA) | Labour Cost Index | Labour Cost survey | Structure of Earnings | Labour force survey | Job vacancy statistics | FDI |
|--------------------------------|--------------------|-----|-----|---------|-------|-------|---------|--------|------------------|-------------------|--------------------------|-----------------------|---------------------|---------------------|-------------------------|-------------------|--------------------|-----------------------|---------------------|------------------------|-----|
| Business Registers | | | | | | | | | | | | | | | | | | | | | |
| SBS | X | | | | | | | | | | | | | | | | | | | | |
| STS | X | | | | | | | | | | | | | | | | | | | | |
| Prodcom | X | | | | | | | | | | | | | | | | | | | | |
| OFATS | X | | | | | | | | | | | | | | | | | | | | X |
| IFATS | X | X | | | | | | | | | X | | | | | | | | | | X |
| Tourism | X | | | | | | | | | | | | | | | | | | | | |
| Energy | | | | | | | | | | | | | | | | | | | | | |
| Waste statistics | | | | | | | | | | | | | | | | | | | | | |
| Statistics on ICT | | | | | | | | | | | | | | | | | | | | | |
| Research and Development | | | | | | | | | | | | | | | | | | | | | |
| Employment statistics | | | | | | | | | | | | | | | | | | | | | |
| Vocational Training Statistics | | | | | | | | | | | | | | | | | | | | | |
| Balance of Payments | | | | | | | | | | | | | | | | | | | | | |
| National Accounts (ESA) | | | | | | | | | | | | | | | | | | | | | |
| Labour Cost Index | | | | | | | | | | | | | | | | | | | | | |
| Labour Cost survey | | X | | | | | | | | | | | | | X | X | | | X | | |

| | | | | | | | | | | | | | | | | | | | | | |
|------------------------------|--|--|--|--|--|--|--|--|--|--|--|--|--|---|--|--|--|--|--|--|--|
| | | | | | | | | | | | | | | | | | | | | | |
| Structure of Earnings survey | | | | | | | | | | | | | | X | | | | | | | |
| Labour force survey | | | | | | | | | | | | | | | | | | | | | |
| Job vacancy statistics | | | | | | | | | | | | | | | | | | | | | |
| FDI | | | | | | | | | | | | | | | | | | | | | |

Table 6. Overview of variables- statistical areas at the kind-of-activity unit level

| | Structural Business Statistics | – Industry (Module II) | – Construction (Module IV) | Short-Term Statistics | – Industry (Annex A) | – Construction (Annex B) | Waste statistics | | |
|--------------------------------------|--------------------------------|------------------------|----------------------------|-----------------------|----------------------|--------------------------|------------------|--|--|
| Number of persons employed | | X | X | | | | | | |
| Number of employees | | | | | | | | | |
| Number of full time equivalent | | | | | | | | | |
| Turnover | | X | X | | | | | | |
| Principal NACE activity code 2 digit | | X | X | | | | X | | |
| | | | | | | | | | |

Table 7. Relation between statistical areas at the kind-of-activity unit level

| | Business Registers | SBS | STS | Prodcom | FATS | Tourism | Energy | Waste statistics | Statistics on ICT | Research and Development | Employment statistics | Vocational Training Statistics | Balance of Payments and Foreign Direct Investment | National Accounts (ESA) |
|---|--------------------|-----|-----|---------|------|---------|--------|------------------|-------------------|--------------------------|-----------------------|--------------------------------|---|-------------------------|
| Business Registers | | | | | | | | | | | | | | |
| SBS | X | | | | | | | | | | | | | |
| STS | X | | | | | | | | | | | | | |
| Prodcom | | | | | | | | | | | | | | |
| FATS | | | | | | | | | | | | | | |
| Tourism | | | | | | | | | | | | | | |
| Energy | | | | | | | | | | | | | | |
| Waste statistics | | | | | | | | | | | | | | |
| Statistics on ICT | | | | | | | | | | | | | | |
| Research and Development | | | | | | | | | | | | | | |
| Employment statistics | | | | | | | | | | | | | | |
| Vocational Training Statistics | | | | | | | | | | | | | | |
| Balance of Payments and Foreign Direct Investment | | | | | | | | | | | | | | |
| National Accounts (ESA) | | | | | | | | | | | | | | |

Table 8. Overview of variables- statistical areas at the local kind-of-activity level

| | NACE code | NACE 2 digits (including secondary and ancillary activity) | Employment | Principal activity code at NACE 4-digit level | Secondary activity code at NACE 4-digit level | Variable N |
|---------|-----------|--|------------|--|---|------------|
| Tourism | | | | X | X | |
| | | | | | | |
| | | | | | | |

Table 9. Relation between statistical areas at the local kind-of-activity unit level

| | Business Registers | SBS | STS | Prodcorn | FATS | Tourism | Energy | Statistics on ICT | Research and Development | Employment statistics | Vocational Training Statistics | Balance of Payments and Foreign Direct Investment | National Accounts (ESA) | ... |
|---|--------------------|-----|-----|----------|------|---------|--------|-------------------|--------------------------|-----------------------|--------------------------------|---|-------------------------|-----|
| Business Registers | | | | | | | | | | | | | | |
| SBS | | | | | | | | | | | | | | |
| STS | | | | | | | | | | | | | | |
| Prodcorn | | | | | | | | | | | | | | |
| FATS | | | | | | | | | | | | | | |
| Tourism | X | | | | | | | | | | | | | |
| Energy | | | | | | | | | | | | | | |
| Statistics on ICT | | | | | | | | | | | | | | |
| Research and Development | | | | | | | | | | | | | | |
| Employment statistics | | | | | | | | | | | | | | |
| Vocational Training Statistics | | | | | | | | | | | | | | |
| Balance of Payments and Foreign Direct Investment | | | | | | | | | | | | | | |
| National Accounts (ESA) | | | | | | | | | | | | | | |