Summary report on the open public consultations on FRIBS (Framework Regulation Integrating Business Statistics)

This report gives an overview and summarises the results from the following two rounds of open public stakeholder consultations which were organised as part of the FRIBS Impact Assessment. The first round covered the FRIBS infrastructural elements (such as the Business Registers, micro-data exchange, quality issues and confidentiality) and was conducted between July and October 2014. The second supplementary round focussed on the changes to the data requirements to be introduced by FRIBS and took place between August and November 2015. Each round consisted of a public consultation of the data providers[1] and of the data users. Data providers are the businesses (including SMEs) responding to statistical surveys at national/regional level while data users are all actors who are frequently using European business statistics as an input in their daily work, such as other Commission services, national public authorities monitoring the business sector, professional associations and researchers.

The consultations targeted stakeholders from all 28 EU Member States and the 4 EFTA countries.

First public consultation on the FRIBS infrastructural elements

The following topics have been consulted:

-       qualitative assessment of the expected impacts of the implementation of the policy options under consideration;

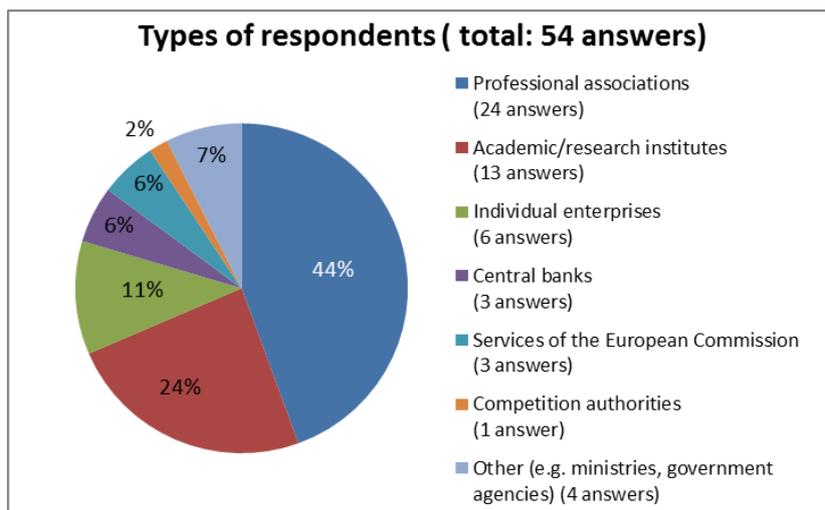-   quantitative assessment - effects on cost and burden of the policy options under consideration;

Furthermore, the consultation served to identify the policy options stakeholders prefer and reject.

The questionnaire for the public consultation was divided into two sub-questionnaires: one for data providers and one for users of European business statistics. To make sure that stakeholders that could potentially be interested in the consultation were aware about it and to encourage them to answer, an email announcing the launch of the consultation was sent to known potentially interested parties: professional associations at EU and national level (217), National Central Banks and the European Central Bank (33), other Commission services (36), national competition authorities (29) and research institutes (110). In addition, 3 phone interviews with respondents to the public consultation were organised in order to deepen the understanding of and obtain further details regarding their inputs.

In total, 54 respondents contributed to the public consultation. As illustrated in the chart below, professional associations representing the interests of businesses at national or European level[2] are the largest category of respondents (24 answers).
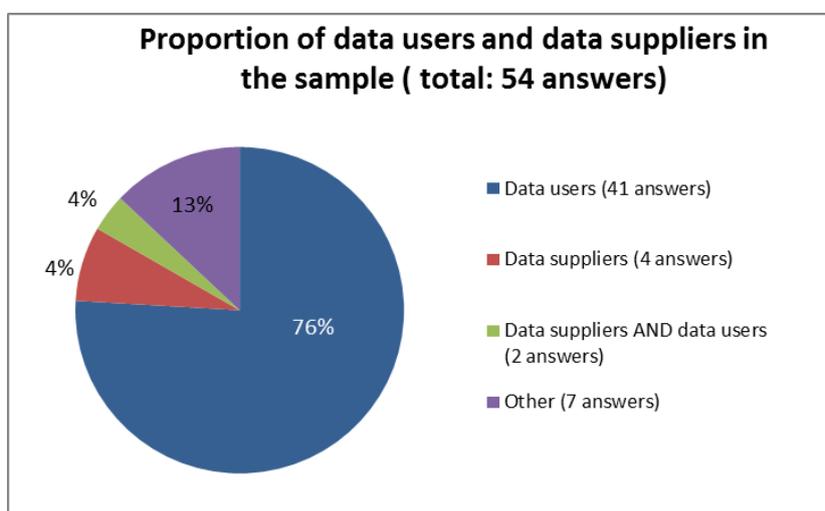
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[1] Also referred to as "data suppliers"

[2] Out of the 24 professional associations, 14 represent businesses at national level and 10 at European level.

Types of respondents (total: 54 answers)

- Professional associations (24 answers)
- Academic/research institutes (13 answers)
- Individual enterprises (6 answers)
- Central banks (3 answers)
- Services of the European Commission (3 answers)
- Competition authorities (1 answer)
- Other (e.g. ministries, government agencies) (4 answers)

44%, 24%, 11%, 6%, 6%, 2%, 7%

Furthermore, academic and research institutes constitute nearly a fourth of the total number of responses and individual enterprises represent around 10%[3]. The remaining 21% of responses came from organisations that are linked to national or European institutions (i.e. central banks, Commission services, competition authorities and national ministries or agencies).

76% (or 41) of respondents are users of European business statistics, only 4 respondents are providers of statistical data. Two respondents are both a provider and a user of European statistical data. Seven respondents did not identify themselves as user or provider; six of them therefore only provided inputs on general questions linked to FRIBS and other policy options, and one only provided a position paper as reply to the consultation.

Proportion of data users and data suppliers in the sample (total: 54 answers)

- Data users (41 answers)
- Data suppliers (4 answers)
- Data suppliers AND data users (2 answers)
- Other (7 answers)

4%, 4%, 13%, 76%

The six contributions from data suppliers are provided by a micro-enterprise, a small enterprise, a large company and three professional associations.

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[3] Out of these 5 individual enterprises, 2 are micro-enterprises and 3 large companies.

Given the low response rate for **data providers** (i.e. only 6 responses), the disparities between these respondents (i.e. 1 micro-enterprise, 1 small enterprise, 1 large company and 3 professional associations, all originating from different EU countries) and the fact that only partial responses have been provided (e.g. no further suggestions to improve the system were pointed out), a compilation of these responses would not be representative of what data providers are experiencing and thinking in general. For this reason, a summary of data providers' responses will not be provided in but the answers provided by these respondents have been nevertheless used in the cost-benefit analysis underpinning the FRIBS impact assessment.

The consultation contained a number of specific questions for **data users**. These were organised in individual topics. For instance:

Combining data from different statistical domains

Over two thirds of the 43 data users reported that they have already encountered difficulties when trying to combine data from different statistical domains.
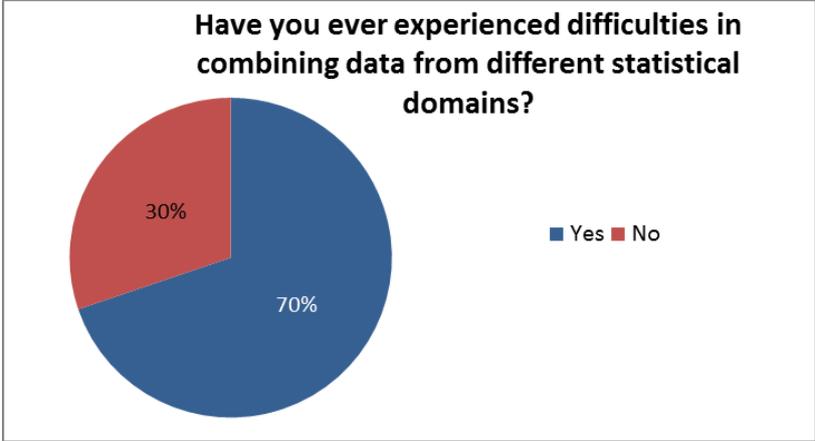
The difficulties reported by data users mainly relate to inconsistencies between the different statistical domains in terms of variables definition, NACE code coverage and level of aggregation in NACE code and in size-classes of enterprises.

In order to (partially) solve the difficulties related to data linking, a list of four concrete measures that would be implemented under the new integrated framework (FRIBS) was submitted to the respondents. The chart below gives an overview of what impact data users are expecting from these four measures:
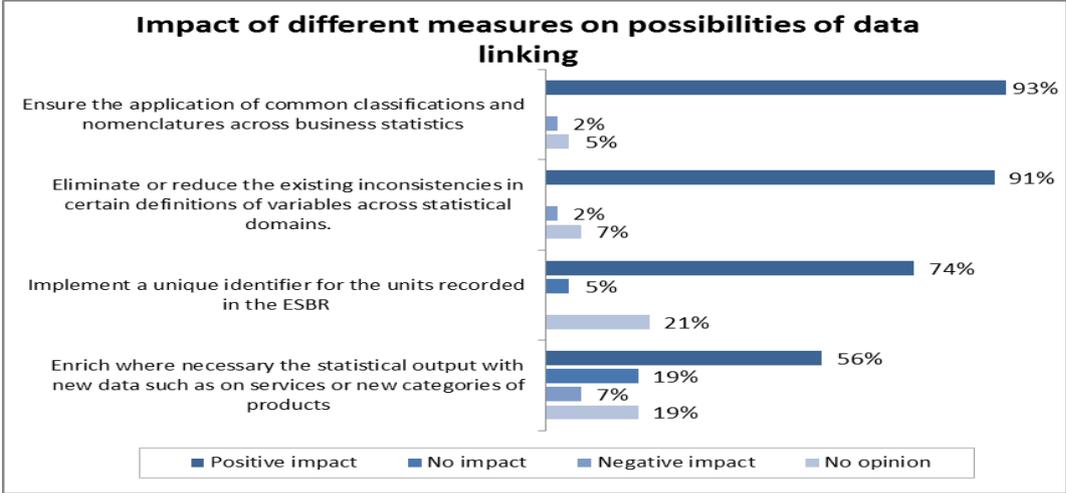
In light of the difficulties expressed above, it is not surprising that, according to a vast majority of the respondents, the two first measures regarding the application of common classifications nomenclatures across domains and the improved harmonisation of variables' definitions are expected to have a positive impact on the possibilities for data linking (respectively 40 and 39 respondents out of the 43 have positively scored the first two measures).

The implementation of a unique identifier for the units recorded in the ESBR (The European System of interoperable Business Registers) was scored positively by around three quarters of respondents (32 out of the 43 respondents).

Finally, the positive impact that the enrichment of the statistical output with new data such as data on services or new categories of products is expected to have on possibilities for data linking is less articulated but still 56 % of the respondents considered that the measure would have a positive impact.

Consistency of statistical data across Member States

37 out of the 43 data users having contributed to the data user part of the consultation are aware of inconsistencies across the 28 Member States in the way statistical data are collected and produced by the NSIs.
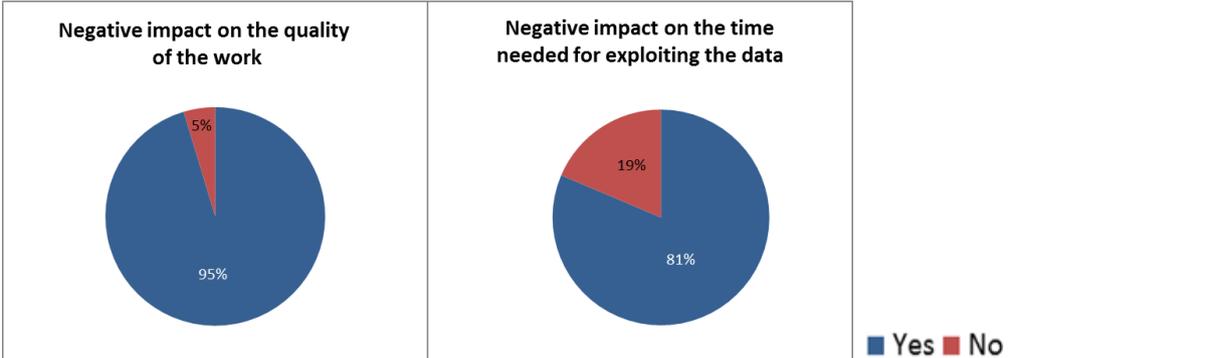
As illustrated in the figure above, most of the respondents believe that these inconsistencies have a negative impact on both the quality of their work and the time required for exploiting the data.

The following figure shows to what extent data users believe that an increased coherence and consistency of the data between the Member States can improve the quality of their work and reduce the time required to exploit raw data.
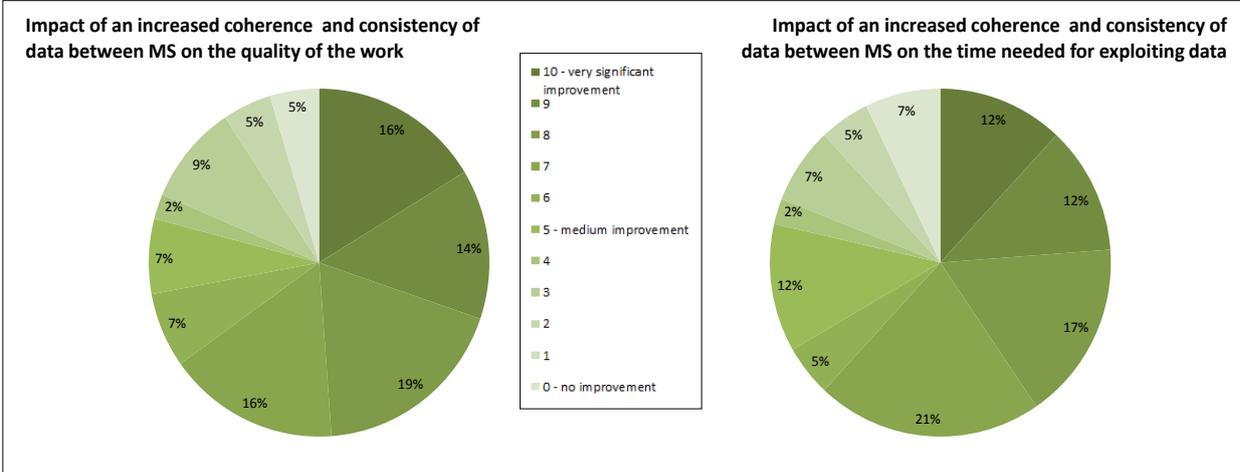
For around 80% of the respondents, an increased coherence and consistency of data would result in a medium to very significant improvement (i.e. a score comprised between 5 and 10) of both the quality of the work and the time needed for exploiting the data.

Confidence of users in the European business statistics system

The following figure shows the degree of confidence of data users in the quality of business statistics published by Eurostat (a score of 10 means that they are very confident, a score of 0 that they are not confident at all).
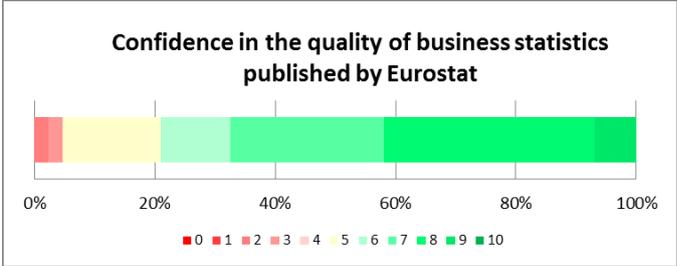
Nearly 80% of the respondents are very to relatively confident (i.e. at least a score of 6) in the quality of the current European business statistics. Only two respondents have attributed a score lower than 5, expressing a very low degree of confidence. These data users argued that there are too many sources of error in current statistics and that data are not sufficiently credible and accurate.

Despite the current overall high level of confidence in the quality of European statistics, nearly 85% of the respondents have indicated that a single harmonised regulation and quality requirements would further increase their confidence in European business statistics. These measures would indeed help to improve the quality and the consistency of data, increasing the trust of users in data provided by data producers (NSIs).
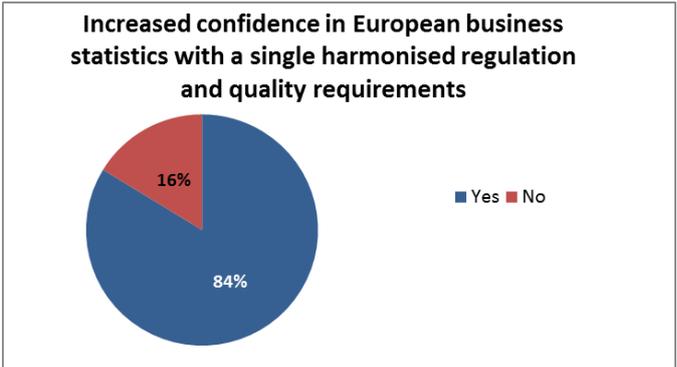
Some respondents however insisted on the fact that to ensure a sufficient level of quality, harmonisation should be realised on the basis of the highest standards observed among Member States. One respondent also noted that despite the good intentions of FRIBS, there is a risk that the high complexity of the FRIBS exercise could lead to delays and disruptions at the level of practical implementation, which in turn could reduce confidence.

Those for which a single harmonised regulation and quality requirements are not expected to increase their confidence in European business statistics most often argued that a single regulation would not improve the quality of the data in Member States where the quality is currently lower.

They explained that the underlying problem of data quality is at the level of the data providers. More precisely, staff in charge of the statistical reporting has no specific incentive for providing accurate data. This situation is not expected to change after the introduction of a single regulation.

Different topics were addressed in a section of the questionnaire that was <u>common to both data users and data suppliers</u>. For instance:

Preferred policy option

As illustrated in the chart below, about 74% of respondents to the public consultation have indicated FRIBS as their preferred policy option, 7 opted for the non-integrated option C, 2 for the 'no policy change' option A; 2 for option B which does not include any new legislative action and 4 respondents have no opinion on the subject.
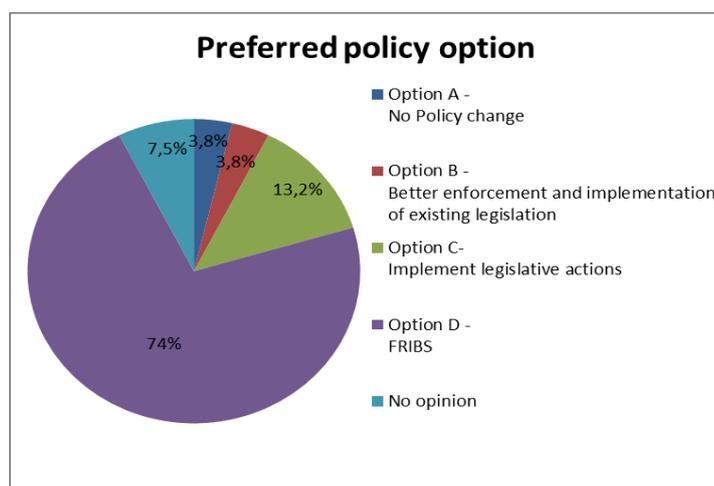
The main advantages that are frequently cited by the respondents regarding the FRIBS option are the increased consistency (9 respondents) and comparability (7 respondents) of European business statistics across statistical domains and across Member States, making the use of these statistics easier for users and increasing the possibilities of data linking. The expected administrative burden reduction and the coordination of statistical surveys are other important elements highlighted by 8 of the respondents. Two additional benefits are also mentioned at least twice: the improved credibility and accuracy of the EU business statistics (where accuracy was mostly interpreted as the availability of up to date data) and the flexibility of the new framework to react to a changing economic environment.

<u>Second public consultation on the FRIBS additional data requirements</u>

The stakeholders were consulted regarding the expected impacts (both qualitative and quantitative) of the changes to the FRIBS data requirements. The questionnaire for the data providers covered topics like availability of data regarding additional/reduced data requirement in data providers' information system; impact of additional data requirements on structural burden of data providers; one-off costs of data providers for implementing additional/reduced data requirements. The questionnaire for the data users covered the importance of additional data requirements for data users and the impact on data users' work from reduced data requirements.

5 replies were received from the **<u>data providers</u>**. These came from: two individual businesses; a federation of businesses; a chamber of commerce; a national statistical office. In view of the very

limited number of replies received, it would not be appropriate to develop a detailed statistical analysis of responses, as these cannot be considered sufficiently representative.

52 respondents participated in the public consultation for **data users**. The largest number of replies was received from National Accounts departments and business associations (respectively 25% and 23% of total), as illustrated in the graph below:
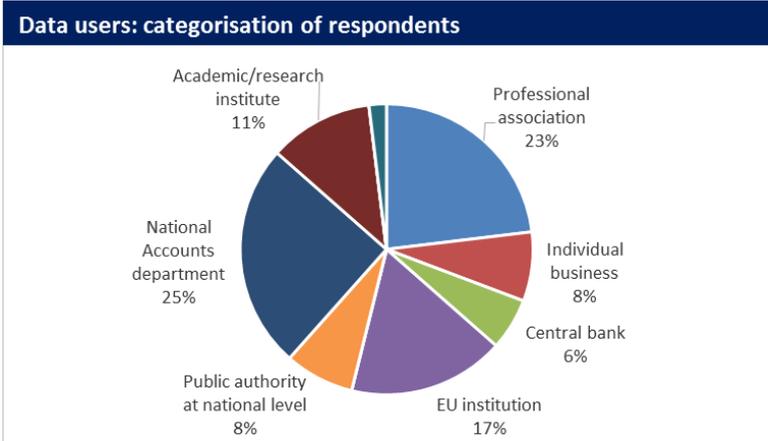
EU institutions and research institutes rank third and fourth, catering for around 17% and 11% of responses respectively, and the remaining 20% comes from public authorities, individual businesses and central banks.

Before data users were questioned on the effects that the additional and reduced data requirements would bring about for them, some more general questions were asked regarding their use of business statistics.

More particularly, the <u>purpose of use</u> of business statistics by the three types of users is divided as follows over the 9 predefined categories:
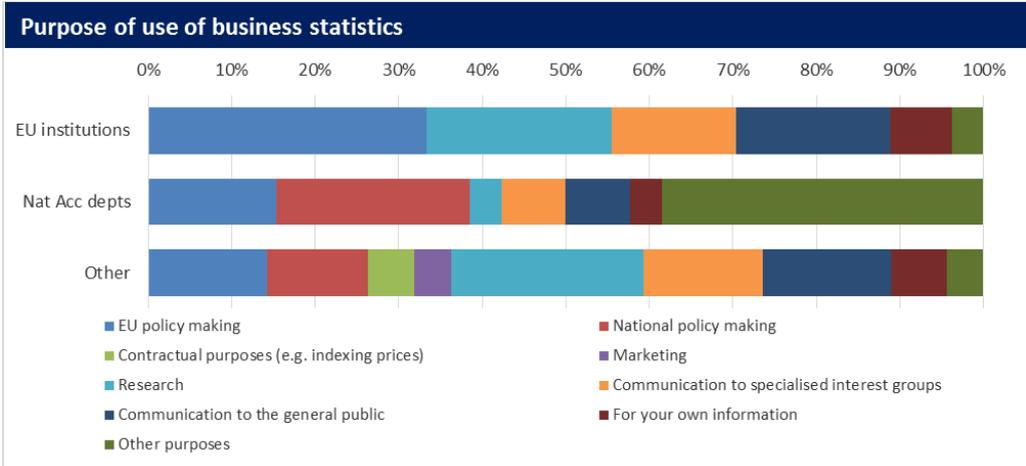
EU policy making, research and communication are by far the most frequent purposes of use of business statistics for EU institutions. 10 out of 13 National Accounts departments indicated 'other

purposes', and refer to the compilation of national accounts. National (and EU) policy making is the second most frequently given answer by this category. Other stakeholders mostly use business statistics for research and communication purposes.

Furthermore, response distribution (by data users) over questions on the importance of business statistics, the frequency and the level of detail of use is as follows:

Characteristics of use of business statistics
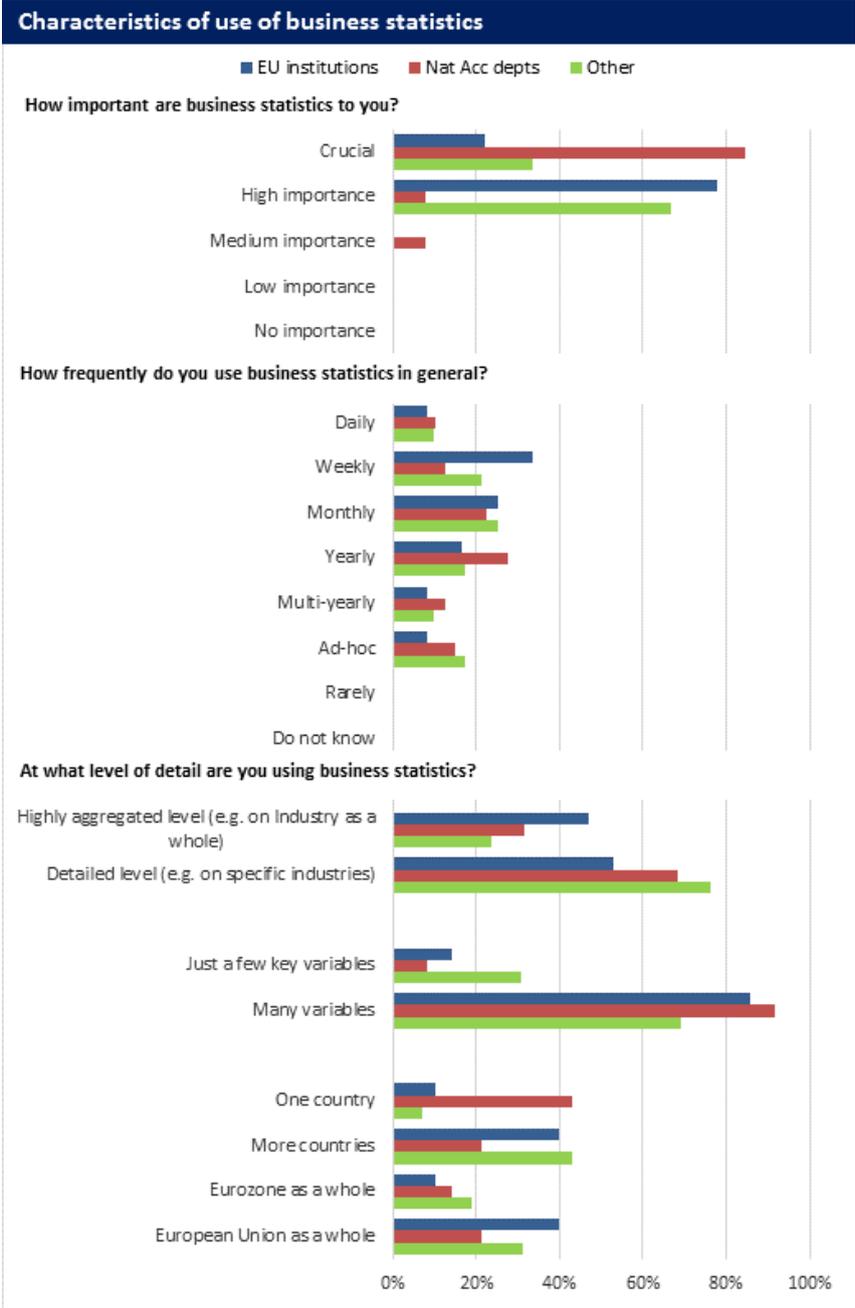
For nearly all users that replied to the questionnaire, business statistics are very important. Nearly 85% of National Accounts departments even consider them as crucial. The frequency of use of business statistics varies considerably for all three types of stakeholders, but for EU institutions and 'others', weekly and monthly use seem to be most common, whereas for National Accounts departments monthly and yearly appear most frequently. The latter appear to most often use statistics on a detailed level (e.g. on specific industries), as do other stakeholders. Nearly 80% of

respondents make use of many variables, and this is true for all three types of stakeholders. Finally, whereas National Accounts departments are mostly interested by statistics of one country, EU institutions and other stakeholders most often require statistics on EU as a whole.

In addition, the frequency with which respondents have indicated the different business statistics domains as being of interest to them, can be summarised as follows:
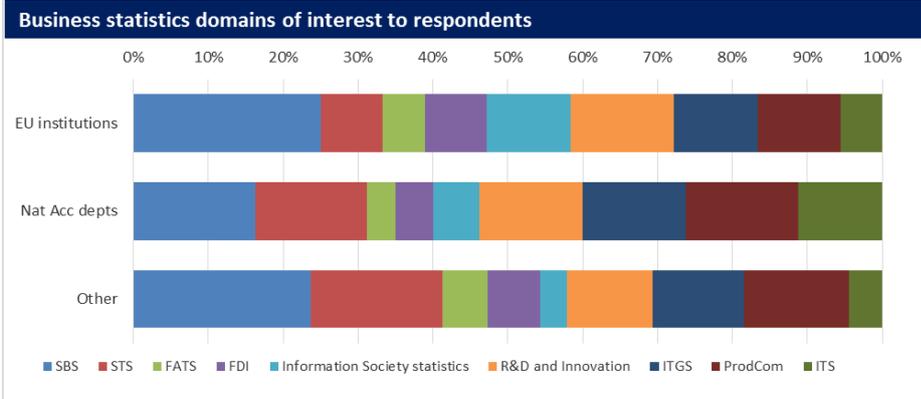
SBS is the most frequently cited domain of interest for all three types of stakeholders. ITGS, Prodcom and R&D and Innovation are also of interest to all groups. Furthermore, while National Accounts departments and other stakeholders are also very interested by STS, EU institutions more frequently indicated Information Society statistics as being of particular interest.

It should be noted that the idea of the consultation was to let respondents only answer questions from domains that are of interest to them. The following numbers of stakeholders replied to detailed questions of a particular domain:

Statistical domain	Number of respondents to the data user consultation having replied to detailed questions for the statistical domain in questions
SBS	49
STS	35
FATS	12
FDI	15
Information Society statistics	14
R&D and Innovation	29
ITGS	29
ProdCom	32
ITS	16

Especially for FATS, FDI, ISS and ITSS, the number of responding data users is fairly low, so results should be interpreted with caution.

Respondents were asked, for each statistical domain of interest to them, to indicate the importance of the foreseen additional data requirements.

When aggregating results across stakeholder types, the following results can be observed for additional data requirements respectively:

Importance of additional data requirements for users

Importance of additional data requirements

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

SBS
a) Improving the service coverage of all data sets on business performance by extending the NACE Rev. 2 activity breakdown with data on : P (Education), Q (Human health and social work activities), R (Arts, entertainment and recreation) and S96 (Other personal service activities)
b) Extending the coverage of the variables investment in machinery and equipment and hours worked with service sectors
c) Providing more timely data on SMEs (i.e. by size class) on three key variables (number of enterprises, turnover, persons employed) already within 10 months after the reference period
d) Using the standard variables for the sector Financial and insurance activities, while deleting the sector-specific variables on the one hand, and on the other extending the coverage to all of its subsectors
e) Enriching business demography data with breakdowns by region (incl. by size class), quarterly data on registrations and bankruptcies, and the number of young high growth enterprises (gazelles)
f) Introducing new triennial statistics on global value chains and international sourcing, covering information on the group structure of enterprises, employment by business function, domestic and international sourcing and back sourcing of business functions, motives and barriers for sourcing, and the international organisation of activities in the foreign affiliates

STS
a) Introducing a monthly production index for the STS services sectors (NACE H to N with the exception of M701, M72, and M75; at two digit level). For the introduction of such an ISP changes in the requirements for the service turnover and for SPPIs are necessary (see points b and c)
b) Changing the periodicity of the service turnover indices from quarterly to monthly, including service industries L68, N77 and complete N81
c) Extending the NACE coverage of quarterly service producer price indices or other deflators in order to align with the scope of the turnover and services production indices
d) Introducing a monthly sales volume index for the wholesale sector and the trade and repair of motor vehicles at 2-digit level for all countries, and 3-digit for medium-sized and larger Member States)
e) Changing the periodicity for the turnover indices in wholesale sector and the trade and repair of motor vehicles from quarterly to monthly
f) Extending the coverage of the labour variables for the service sectors in order to align with the coverage of the production and turnover indicators as described above
g) Introduction of the submission of calendar adjusted data where relevant (i.e. production/sales volume, turnover, hours worked, gross wages and salaries, and building permits); in addition, introduction of the transmission of seasonal adjusted data for Principal European Economic Indicators (PEEIs) (except for price indicators)
h) Introduction of a single producer price index for construction replacing the three construction costs variables

FATS
a) Introducing two new variables for Outward FATS: personnel costs and gross investment in tangible goods
b) Extending the coverage of Outward FATS by including all EU Member States - foreign EU affiliates - (besides foreign non-EU affiliates) in the geographical partners' list
c) Extending the coverage of Outward FATS by including all domestic affiliates of the domestic parents/multinationals. Variables asked consists of the number of enterprises, turnover and persons employed
d) Introducing the harmonisation and simplifying measure to reduce the detailed NACE breakdown in Outward FATS to the more aggregated activity classification of National Accounts (A38) going back from 74 to 41 categories
e) Extending the NACE coverage of Inward FATS with data on the following Sections: P (Education), Q (Human health and social work activities), R (Arts, entertainment and recreation), S95 (Repair of computers and personal and household goods) and S96 (Other personal service activities)
f) Introducing the harmonisation and simplifying measure to reduce the detailed NACE breakdown in Inward FATS to the more aggregated activity classification of National Accounts (A38) going back from 127 to 41 categories

FDI
a) Introducing faster annual data requirements for the highest main aggregates of the FDI on transactions (i.e. direct investment abroad, DIA, and direct investment in the reporting economy, DIRE) with a deadline of 4 months

ISS
a) Completing the coverage of enterprises in the professional, scientific and technical activities (NACE M) with veterinary activities (NACE 75)
b) Optional coverage and transmission of data for enterprises with 0-9 persons employed (except for the financial sector NACE K) correcting previous optional coverage 1-9 and cancelling breakdowns 1-4 and 5-9
c) Coverage of enterprises in few additional detailed groupings of 2-digit NACE for the calculation of EU aggregates only (national aggregates will not be published separately)

R&D
a) Ensuring R&D data production at NACE section level by splitting currently existing section groupings (D+E; O+P and S+T+U)
b) Aligning the breakdown of R&D data by economic activity (NACE Rev.2) to fit to the reference frame A*38 level of breakdown
c) Aligning the size class breakdown for R&D statistics with harmonized size class level (2) for FRIBS (0-9, 10-49, 50-249, 250+ persons employed)
d) Changing the size class breakdown variable for R&D statistics from "number of employees" to "number of persons employed"
f) Aligning the breakdown of innovation statistics by economic activity (NACE Rev.2) to fit to the reference frame A*38 level of breakdown
g) Changing the size class breakdown variable for Innovation statistics from "number of employees" to "number of persons employed"

ITGS
a) Introducing four additional ITGS-TEC data sets which are currently collected at voluntary basis: (a) trade by activity, with more detailed levels of the NACE, (b) trade by activity by type of control (domestically controlled versus foreign controlled enterprises), (c) trade by activity by exports intensity, and (d) trade by activity by partner countries and size-class
b) Improving the timeliness of the ITGS-TEC data by providing a preliminary set of trade by activity by size-class already within 10 months after the reference period

Prodcom
a) Introducing a separate variable "Production under sub-contracted operations"

■ Crucial ■ High importance ■ Medium importance ■ Low importance ■ Will not use these new data ■ Do not know

Importance of additional data requirements for users

With around 50% of respondents indicating the additional data requirement as crucial or highly important, the following four requirements are the top rankers:

Further aggregation of results of all data requirements within one statistical domain leads to the following results:

Importance of additional data requirements for users – aggregate per domain

Importance of additional data requirements: aggregate per domain
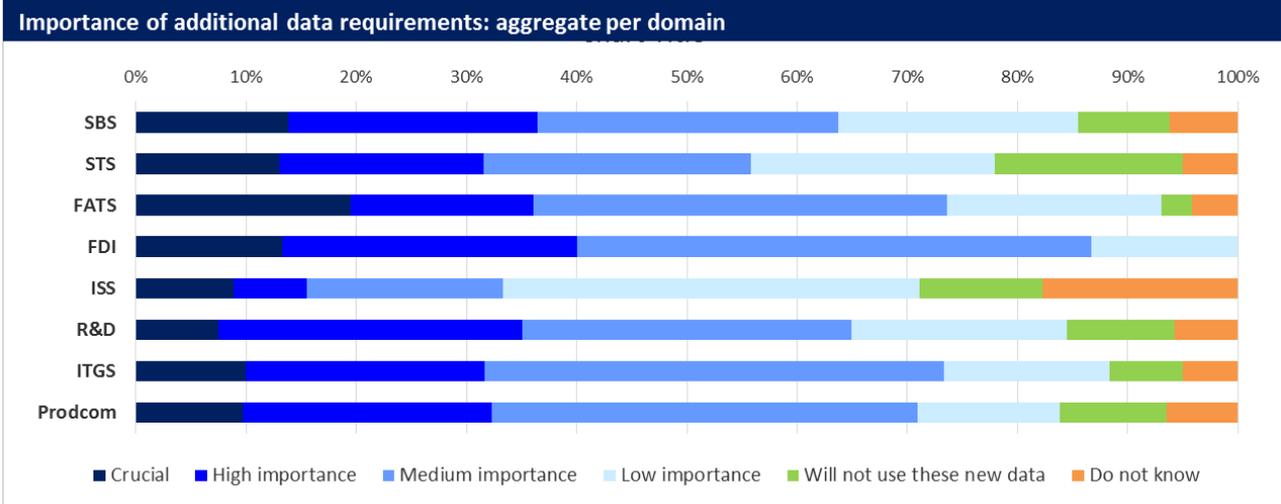
Results for all other domains are fairly similar to each other, i.e. between 32 and 40% find the additional data requirements in that domain of high importance or crucial, and between 46% and 57% find them of medium or low importance. The results for the data requirements to which the highest importance is attributed are SBS, STS and FATS domains. More moderate importance, however, is attributed to the proposed additional data requirements in the Information Society-domain (ISS) domain.

The results of these open public consultations have been extensively used as an input for the FRIBS impact assessment report.