

Business Registers

Ronald Jansen
Chief, International Trade Statistics Section
United Nations Statistics Division

2 UN Plaza, DC2-1544, New York, New York 10017,
Phone: (212) 963-5980, Fax: (917) 367-5106
e-mail: jansen1@un.org

CONTENT

1. Definitions
2. Variables
3. Usage

CONTENT

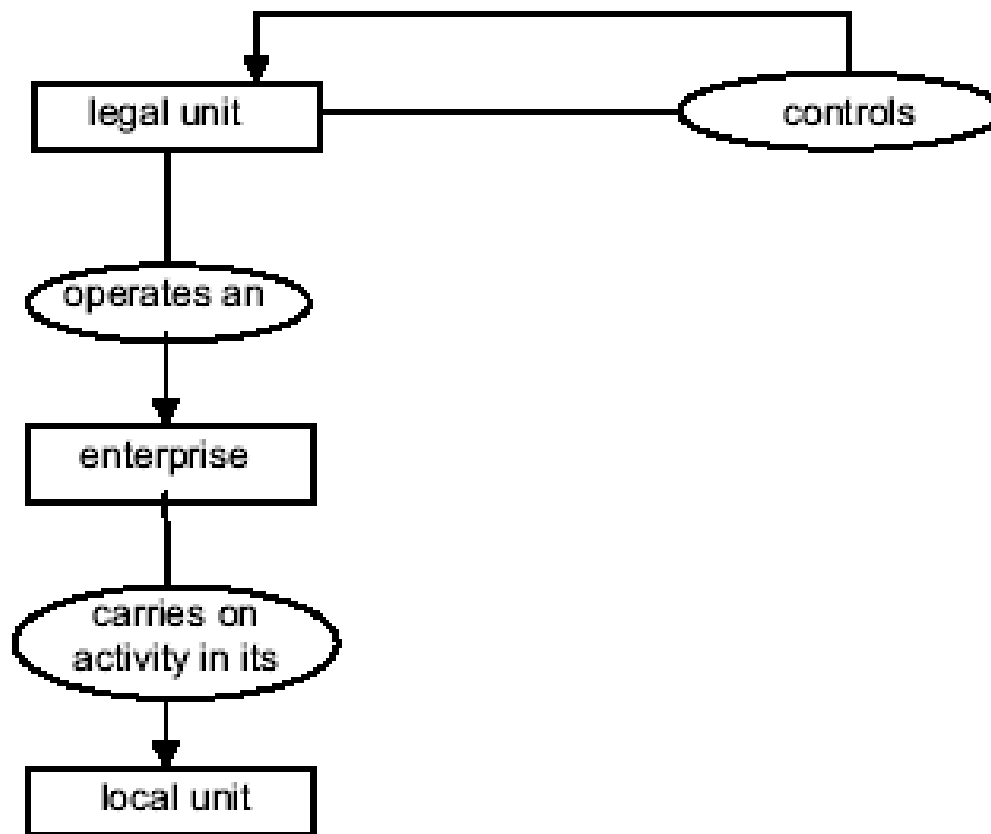
1. Definitions

2. Variables

3. Usage

Business Register

Conceptual Model of Statistical Business Registers



Definition of Legal Units, Enterprises and Local Units

Legal unit :

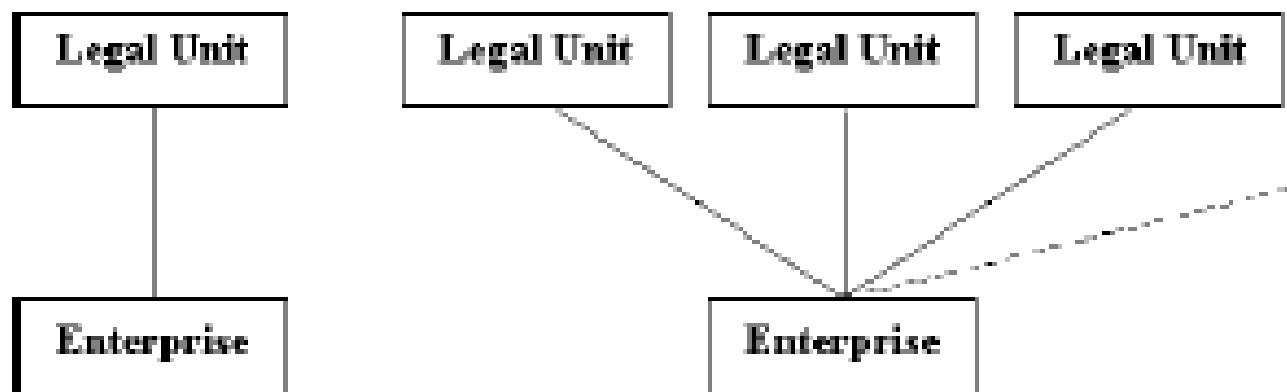
- legal persons whose existence is recognized by law independently of the individuals or institutions which may own them or are members of them,
- natural persons who are engaged in an economic activity in their own right.

Enterprise :

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, carrying out one or more activities at one or more locations.

Definition of Legal Units, Enterprises and Local Units

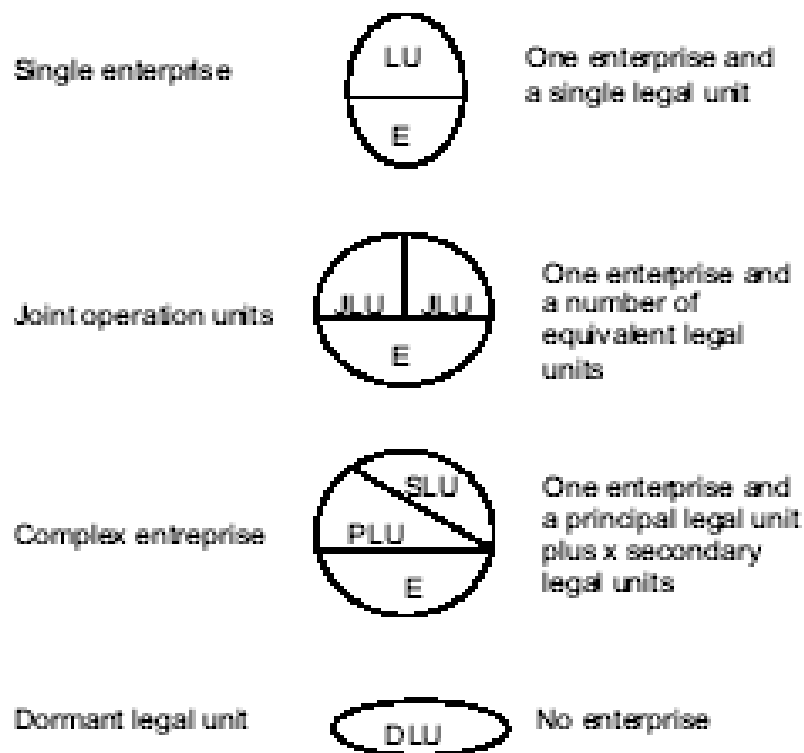
The relationship between an enterprise and a legal unit is therefore defined as: the enterprise corresponds either to a legal unit or to a combination of legal units.



Business Register

Definition of Legal Units, Enterprises and Local Units

7.34 These forms are represented diagrammatically below:



The symbols are abbreviations of the English names.

E	Enterprise
LU	Legal Unit
JLU	Joint legal unit
PLU	Principal legal unit
SLU	Secondary legal unit
DLU	Dormant Legal Unit

Definition of Legal Units, Enterprises and Local Units

Local unit :

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.

Definition of Legal Units, Enterprises and Local Units

Criteria for deciding on nature of Local unit :

(i) "If a person works in more than one place (maintenance or surveillance) or at home, the local unit is taken to be [the] 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."

Definition of Legal Units, Enterprises and Local Units

Criteria for deciding on nature of Local unit :

(ii) A geographically identified place must be interpreted on a strict basis: two units belonging to the same enterprise at different locations must be regarded as two local units.

(iii) 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.

A general typology of demographic events

1. Changes of existence of combinations of production factors
 - 1.1 Emergence of combinations of production factors
 - 1.1.1 Birth of an enterprise group
 - 1.1.2 Birth of an enterprise
 - 1.1.3 Birth of a KAU or local unit
 - 1.2 Disappearance of combinations of production factors
 - 1.2.1 Death of an enterprise group
 - 1.2.2 Death of an enterprise
 - 1.2.3 Death of a KAU or local unit

KAU = Kind of Activity Unit

Business Register

Demographic events of Enterprises

Event	Real, observable world		Business register	
	Number of enterprises before the event	Number of enterprises after the event	Number of creations	Number of deletions
Birth	-	1	1	-
Death	1	-	-	1
Change of ownership	1	1	-	-
Merger	n	1	1	n
Take-over	n	1	-	n-1
Break-up	1	n	n	1
Split-off	1	n	n-1	-
Creation of a joint venture	n	n+1	1	-
Cessation of a joint venture	n	n-1	-	1
Restructuring within an enterprise	1	1	-	-
Restructuring within an enterprise group	n	n	0 or more	0 or more
Change of group	1	1	-	-
Complex restructuring	n	n	0 or more	0 or more

Note: n = 2 or more

CONTENT

1. Definitions

2. Variables

3. Usage

Business Register

Variables for Statistical Business Registers

	Legal unit	Enterprise	Local unit
Identification variables			
Identity number	1a	3a	2a
+ external identity numbers	1j, 1k		2i
Name + Address	1b		2b
Legal form	1f		
Stratification variables			
Principal activity		3c	2c
Secondary activity		3d	(2d)
Ancillary activity			2k
Size: persons employed		3e	2e
Size: turnover		3h	
Size: net assets		(3i)	
Geographical location			2h
Demographic variables			
Date of creation	1d	3f	2f
Date of cessation	1e	3g	2g
Relationship variables			
Unit controlling	(1g), (1h)	3b	2j

Identity Numbers

- Identity numbers must not change throughout the life of the unit identified. Thus, although the characteristics attached to that unit may change during the life of the unit, its identity number must be independent of those characteristics
- Experience has shown that a good solution is to give each unit a non-significant serial number and a computer control key.
- It is important to avoid confusing the identity numbers of the different categories of unit. It is therefore preferable to adopt different identity number structures (length and type of character) for each type of unit.

Identity Numbers (cont.)

- Legal Units - variable 1a, Identity number. The identity number of the legal unit can either be specific to the statistical business register or external (common and shared with other institutions).
- Local Units - variable 2a, Identity number. As the identity number of a local unit should remain the same from commencement to cessation, it is advisable to use a register-specific identity number for local units.
- Enterprises - variable 3a, Identity number. As the continuity rules for enterprises should be applied, the identity number should remain the same from commencement to cessation of activities.

Links to administrative sources

- Since one function of the register is to enable information in administrative files to be mobilized, cross-links with those files must be maintained. The identity numbers used to record units in administrative files should therefore be included in the business register.
- The problem is solved automatically in countries where a common identity number is used.

State of activity or situation

- It can be argued that only enterprises and their local units that are active need to be recorded in the register. Similarly, legal units are of limited interest to the register if they are not the legal medium for an active enterprise.
- A code can be used to specify the "live" or "dead" status of the unit, perhaps differentiating between different categories such as statistically live or dead, dormant, in receivership etc. For a legal unit, that status will be legal; for statistical units it will be "economic". This gives useful extra information beyond the compulsory variables of date of commencement and date of cessation.

Name, address and contact details

- Each legal unit and local unit has a name that must be recorded; similarly every unit must have at least one address.
- Legal units - variable 1b, Name, address (including postcode), telephone, electronic mail and fax numbers and telex address.
- Local units - variable 2b, Name, address and other identifying information.
- Enterprises - Name, address and contact details are not specifically required for the enterprise, which often uses the name of the main legal unit that operates it.
- Other statistical units (kind of activity units and local kind of activity units) do not generally have a name that is used in public.

Business Register

Legal Forms

Main standard legal forms (source - ESA(95) handbook, table 2.3)	
Description	Institutional Sector
1. Private and public corporations	S11, S12
2. Co-operatives and partnerships recognised as independent legal entities	S11, S12
3. Public producers which by virtue of special legislation are recognised as independent legal entities	S11, S12
4. Public producers not recognised as independent legal entities	
a. those with the characteristics of quasi-corporations	S11, S12
b. the rest	S13
5. Non-profit institutions recognised as independent legal entities	S11, S12, S13, S15
6. Partnerships not recognised as independent legal entities	
a. those with the characteristics of quasi-corporations	S11, S12
b. the rest	S14
7. Sole proprietorships	
a. those with the characteristics of quasi-corporations	S11, S12
b. the rest	S14
8. Holding corporations whose preponderant type of activity of the group of corporations controlled by them is the production of goods and non-financial services / financial services	S11, S12

Key to institutional sectors:

S11 - non-financial corporations
 S12 - financial corporations
 S13 - general government
 S14 - households
 S15 - non-profit institutions serving households

Business Register

Variables for Statistical Business Registers

	Legal unit	Enterprise	Local unit
Identification variables			
Identity number	1a	3a	2a
+ external identity numbers	1j, 1k		2i
Name + Address	1b		2b
Legal form	1f		
Stratification variables			
Principal activity		3c	2c
Secondary activity		3d	(2d)
Ancillary activity			2k
Size: persons employed		3e	2e
Size: turnover		3h	
Size: net assets		(3i)	
Geographical location			2h
Demographic variables			
Date of creation	1d	3f	2f
Date of cessation	1e	3g	2g
Relationship variables			
Unit controlling	(1g), (1h)	3b	2j

Stratification Variables (Activity and Size)

- Apart from location and legal form, which have already been examined as identification variables, the criteria used for selecting fields of inquiry and taking samples are activity, size and institutional sector.
- Every statistical unit, enterprise, local unit or kind-of-activity unit must be associated with variables that define its activities : (1) the principal activity actually carried on within the unit by reference to the NACE (4-digit) class (2) significant secondary activities are required to be recorded.
- A size measure for statistical units is essential for sample design, grossing-up the results to the population and analyzing populations. Several criteria may be used to construct a size indicator: employment (actual number of persons occupied), turnover, amount of net assets.

Stratification Variables (Size: turnover)

Turnover 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 VAT.

Turnover includes the sale of goods and services relating to the principal activity of the enterprise (or local unit) but also includes those coming under secondary activities.

Stratification Variables (Size: net assets)

Enterprise - variable 3i, Net assets (assets after allowing for depreciation less liabilities - financial intermediaries only). For enterprises in the financial market sector whose activity falls within section J of NACE, a size criterion, which is often relevant, is the amount of the net assets.

Stratification Variables (Institutional sector)

Each enterprise should be capable of being classified in an institutional sector (and possibly sub-sector) for the purposes of the national accounts. This may be necessary in practice depending on the requirements of the statistical systems in Member States, namely

- Non-financial corporations
- Financial corporations
- General government
- Households (as consumers or entrepreneurs)
- Non-profit institutions serving households
- Rest of the world

Demographic Variables (Date of creation)

At least two variables (dates) must be recorded for each unit to permit an initial demographic analysis of the population of enterprises and their local units.

1. **Date of creation** : Legal Unit - variable 1d, Date of incorporation for legal persons or date of official recognition as an economic operator for natural persons. This may be the date on which an identification number is given, be it a VAT number or other. Local Unit - variable 2f, Date of commencement of the activities. Enterprise - variable 3f, Date of commencement of activities of the enterprise.
2. **Date of cessation**: Legal unit - variable 1e, Date on which the legal unit ceases to be legally responsible for an enterprise; Local unit - variable 2g, Date of final cessation of activity; Enterprise - variable 3g, Date of final cessation of activities of the enterprise.

Variables Showing Relationships Between Units

The relationship between a legal unit and the enterprise that it operates and the relationship linking the enterprise to subordinate local units should be clearly identified.

Local unit - variable 2j, Identity number in the register of the enterprise on which the local unit is dependent.

Enterprise - variable 3b, Identity number(s) of the legal unit(s) legally responsible for the enterprise.

Two optional variables describe control relationships between legal units:

- (1) Variable 1g, Name and address of any non-resident legal unit, other than a natural person, which controls the legal unit.
- (2) Variable 1h, Identity number of the legal unit in the register which controls the legal unit.

Business Register

Variables for Statistical Business Registers

	Legal unit	Enterprise	Local unit
Identification variables			
Identity number	1a	3a	2a
+ external identity numbers	1j, 1k		2i
Name + Address	1b		2b
Legal form	1f		
Stratification variables			
Principal activity		3c	2c
Secondary activity		3d	(2d)
Ancillary activity			2k
Size: persons employed		3e	2e
Size: turnover		3h	
Size: net assets		(3i)	
Geographical location			2h
Demographic variables			
Date of creation	1d	3f	2f
Date of cessation	1e	3g	2g
Relationship variables			
Unit controlling	(1g), (1h)	3b	2j

CONTENT

1. Definitions

2. Variables

3. Usage

Objectives for statistical business registers

- Coverage - The aim is to cover as much national economic activity as possible. The proportion of Gross National Product covered by a register is often a more useful measure than the proportion of enterprises covered.
- Quality - A high quality business register will help to improve the efficiency of the national statistical system, which should in turn help to reduce the response burden on businesses.
- Authority - The business register should be recognized as the authoritative source for data on business populations and demography. It should be the sampling frame for all business surveys within the national statistical system.

Usage of statistical business registers

1. For the detection and construction of statistical units;
2. As a tool for the preparation and co-ordination of surveys, and for grossing up survey results;
3. As a source of information for statistical analysis of the business population and its demography;
4. As a tool for the mobilization of administrative data;
5. As a dissemination tool.

Tool for the preparation of surveys

1. Provide a directory for mailing lists in statistical surveys;
2. Provide a population of businesses for which efficient sampling schemes can be designed and panels monitored;
3. Provide the basis for grossing-up results from sample surveys to produce business population estimates;
4. Help to prevent duplications and omissions in the collection of information on businesses;
5. Improve congruence between the results of different surveys;
6. Control survey overlap by effective co-ordination of samples, thus reducing both costs and response burden;
7. Help to improve coverage or reveal inaccuracies in statistical data collection;

Further remarks

1. To be of sufficient quality for this purpose, the register must be updated at least annually to record unit creations and deletions, as well as changes in address and stratification variables.
2. It will be noted that this use of the register means that coordinated sample selection tools will need to be developed downstream of the actual register management.
3. Another major problem in conducting a statistical sample survey relates to the treatment of businesses that do not reply to the survey. It is necessary to determine whether this non-response is due to cessation of activity of the unit or a straightforward refusal to reply.

Source of information for demographic analysis

- There is a growing demand for information on the structure and demography of the business population (i.e. enterprises and other linked statistical and non-statistical units).
- This is an area in which many countries are starting to invest, and where maintenance of a register provides essential material. Article 5(2) of the registers Regulation states that "At the end of the first quarter of each calendar year, Member States shall make a copy of the register as it stands on that date and keep that copy for 10 years for the purpose of analysis". These frozen copies of the business registers provide an ideal basis for elementary demographic analyses.

Thank you for your attention