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Business and Trade Statistics  
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Draft Terms of reference of the  
Task Team on Business Dynamics, Demography  
and Entrepreneurship

# Task Team on Business Dynamics, Demography and Entrepreneurship

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Members of the Task Team: Brazil, Colombia, Egypt, Georgia, Italy, Mexico, Netherlands, UNECE, Eurostat, ILO, ITU, UNCTAD, OECD and UNSD.

## Mandate

1. The Task Team on Business Dynamics, Business Demography and Entrepreneurship (“The Task Team”) will lead a diagnosis of statistical practices in countries regarding business dynamics, business demography and entrepreneurship, identifying strengths, opportunity areas and data gaps in order to produce inputs for future recommendations to achieve international harmonization on these topics.
2. For the performance of the diagnosis, the central role of the Statistical Business Register will be considered for the production of economic statistics and its linkage to other data sources. The observation unit will be the enterprise, and for the statistics that require production at sub-national level, the establishment will also be considered. In the case of entrepreneurship, the entrepreneur will be taken into account. Moreover, a user-centric approach will be used, enabling the business statistics produced to meet the current users’ needs.
3. The term of the mandate is for two years from the establishment of the Task Team. The work is divided in three topics: business dynamics, business demography and entrepreneurship. Each topic will be led by International Organizations (leveraging their experience on each topic and their expertise collaboration with the National Statistical Offices –NSOs-). Due to the cross-cutting nature of the three topics, it will be necessary to coordinate the work inside the Task Team with the other Task Teams of the Committee of Experts on Business and Trade Statistics for example on common issues such as skills and innovation, research and development, ICT usage, e-commerce, geospatial information, and globalization.
4. In the Meeting of the Expert Group on Business Statistics, held in Mexico in May 2018, there was a recognition of the need for international harmonization in developing thematic statistics on business dynamics in countries outside of the OECD and EU member countries. The Task Team will work toward this development by analyzing related manuals, such as the UNECE Guidelines on statistical business registers and business demography and entrepreneurship statistics, Oslo Manual on collecting and interpreting innovation data, the Frascati Manual on data on research and experimental development, the EU Manual for surveys on ICT usage in enterprises and households, the ILO guidelines on decent work, the UNECE Global Production Guide and the UN Handbook Accounting for GVC (Draft 2019).

## Identification of relevant and emerging topics

### **Statistics on Business Dynamics and Business Demography**

5. The analytical importance of business statistics regarding the births, survival (of which survival newly born enterprises mainly by type of economic activities), and deaths of enterprises at the national, sub-national, and supra-national level by industry activities and size is well recognized. The value of business dynamics and demography statistics can be further increased by compiling and presenting them from a longitudinal perspective, establishing the link with SBR and other statistical sources.

### **Statistics on employment and skills**

6. Business behavior over a business cycle (i.e., births, survival, including newly born enterprises, deaths) impacts the generation and loss of jobs, the skills demanded by the new enterprises, the dynamism of the businesses and economic growth. For instance, new enterprises may require different skills than those required by the existing enterprises.

7. Moreover, by using new tools, such as geo-referencing, it is possible to compile employment data at subnational levels and by industry activity, in order to facilitate policy- and decision- making related to the labor market (e.g., private and public investment, training or re-training needs, and public policy).

8. The information regarding the employment and the skills required by specific sectors in the economy at sub-national level may further allow for identifying the labor specialization of regions in a given country.

9. Finally, ILO has developed an indicator framework for decent work that must be considered when developing statistics on employment and skills dynamics.

### **Statistics on innovation**

10. The demand for innovation statistics is increasing with the quest for understanding which activities drive innovations, the circumstances under which innovations emerge and the consequences of innovation on different types of firms and the economy. Indicators cover thematic areas such as innovation incidence and outputs (e.g., newly-appearing products), innovation activities, innovation capabilities of firms, innovation linkages and knowledge flows, and external influence on innovation, among others. Apart from considering the harmonization of innovation statistics, the various sources, including surveys and administrative data, must be identified and assessed in countries.

11. Global databases on innovation states are being built by organisations such as UNESCO, and interest is now well established beyond the OECD and EU member states to include the African and Latin American regions.

### **Statistics on research and development (R&D), ICT usage and e-commerce, and globalization**

#### Statistics on R&D

12. There are some issues that affect the Business dynamics and Entrepreneurship as the outcomes from research and development (R&D), the use of Information and Communication Technologies in enterprises, e-commerce and the opportunities and threats of globalization. In this sense the OECD and

Eurostat have an existing framework for joint international data collection on resources devoted to R&D,<sup>1</sup> interest remains high for regions beyond the OECD and EU member states.

13. Data on R&D may come from a variety of sources, including, but not necessarily limited to, direct measurement through surveys and administrative data sources, such as company records or financial filings, or a combination of the two.

#### Statistics on ICT usage and e-commerce

14. Statistics related to the use of Information and Communication Technologies in enterprises and e-commerce are well recognized for analyzing the developments of business activity related to globalization and digitization<sup>2</sup>. In particular, such data users are interested in the characteristics of ICT systems and their usage in enterprises; use of the Internet and other electronic networks by enterprises; level of e-commerce; e-business processes and organisational aspects; ICT competence in the enterprise and the need for ICT skills; barriers to the use of ICT, the Internet and other electronic networks; ICT security and trust; access to and use of the Internet and other network technologies for connecting objects and devices (Internet of Things); access to and use of technologies providing the ability to connect to the Internet or other networks from anywhere at any time (ubiquitous connectivity).

15. These statistics should be informed by surveys and administrative data with appropriate breakdowns by size, industry and location.

#### Statistics on globalization of business activities

16. Firms have increasingly expanded their activities across borders for which users seek statistics and indicators capturing the globalisation of business activities.

17. The statistical capture of globalisation is not always straight forward, as statistics are usually bound to national borders. The globalisation of the world economy, therefore, creates new needs for statistics and, at the same time, it changes the conditions for the production of business statistics. Activities of multinational enterprise groups, the outsourcing of activities, foreign direct investment, and other forms of foreign engagement are key elements in this regard.

18. New statistics on globalisation in business activities are to be considered by various thematic areas, in cooperation with national statistical institutes and international organisations. These areas are further elaborated below.

#### - (Service) Trade by enterprise characteristics

19. The main objective of statistics on the international trade in goods (ITGS) by enterprise characteristics (TEC) is to bridge two major statistical domains which have traditionally been compiled and used separately; that is, business statistics and ITGS. Specifically, this new domain was created to answer questions such as:

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<sup>2</sup> Cross-border e-commerce and platforms are important drivers of digital trade, and are of common concern for both globalization and digitalization. In this regard, the OECD has recently proposed a Framework for Accounting for the Digital Economy covering digital trade.

- What kind of businesses are behind the trade flows of goods?
- What is the contribution of a particular activity sector to trade?
- What share of employment is accounted for by firms that trade?
- What is the share of small and medium-sized enterprises to total trade?
- What is the share of enterprises that trade with a certain partner country and the amount of trade value they account for?

20. For this purpose, the trade in goods between countries is broken down by economic activity, size-class of enterprises, number of employees, trade concentration, geographical diversification, and products traded. The new information is used to carry out more sophisticated kinds of analysis; e.g., to evaluate the role of European companies in the context of globalization or to assess the impact of international trade in goods on employment, production and value added, essential in a globalised world where economies are increasingly interconnected.

21. Growing international trade in services is an important component and key driver of economic globalisation. Many services have become more easily tradable due to digitalisation, such as health and educational services. Also, many new services have been launched on international markets by means of information and communication technologies (ICT) and digital tools — and some have led to the creation of new markets.

22. In addition to TEC statistics, the statistics on international trade in services by enterprise characteristics (STEC) enable us to look at the size and other characteristics of the enterprises involved in services trade.

23. Together, STEC and TEC statistics provide a picture of the traders active in international goods and services markets.

- Foreign affiliates statistics

24. Foreign affiliate statistics (FATS) cover the structure and activities of enterprises that control enterprises abroad (outward FATS) or are controlled by foreign enterprises (inward FATS). In this context, enterprise A is deemed to be controlled by an enterprise B when B controls, whether directly or indirectly, more than half of the shareholders' voting power or more than half of the shares.

- Foreign Direct Investment statistics

25. Foreign Direct Investment (FDI) is the category of international investment made by an entity (direct investor) to acquire a lasting interest in an entity operating in an economy other than that of the investor. The lasting interest is deemed to exist if the investor acquires at least 10% of the equity capital of an enterprise.

- International sourcing statistics

26. International sourcing statistics capture the movement of certain business functions that were performed in-house or domestically sourced by the resident enterprise to either non-affiliated (outsourcing to external suppliers) or affiliated enterprises abroad (insourcing). International sourcing is often referred to as 'off-shoring', 'near-shoring', 'de-localisation' or 'outsourcing'.

## **Geospatial information**

27. The spatial statistics allows providing insight into geographic characteristics of the observation units at the subnational and regional level. Some advantages for developing this kind of data is offering a

more in depth analysis of economic features regarding the demography of the businesses as the dimension of economic activity, size, among others, which help to identify spatially the diversification of products and or enterprises, as well as economic and trade concentration.

28. Also, it is helpful to describe entrepreneurship activities to better understand the nature and performance of new enterprises.

29. On the other hand, it will allow to policymakers to analyzing, designing and assesing policies which are related to the business dynamics of specific regions.

## Defining a set of core indicators

30. For defining a set of core indicators related to business dynamics, business demography and entrepreneurship, it is necessary firstly to identify concepts and definitions and then prioritizing them (dividing them in basic and derived indicators), based on international harmonization, considering the enterprise as the observation unit. The above is to conduct a global survey for collecting statistical practices and identifying statistical sources regarding the topics on business dynamics, business demography and entrepreneurship.

## New conceptual and classification schemes

31. The Task Team will reflect in its work on the ongoing discussions from the activities undertaken by the other task teams on the statistical units and classifications (e.g., digital economy and globalization). In this sense, it would be relevant the identification/classification of specific categories of firms within statistical business registers. For example, exporting, non-exporting, two-way traders, foreign-owned, R&D intensive, innovative, high-skilled. E-tailer, factoryless goods producer, processor, digital platform, in order to contribute to policy-making purposes, as well as to the design of current business surveys (by considering stratification and sampling variables).

32. Moreover, the Task Team will explore basic core indicators which are helpful for obtaining classic measures as the HH concentration index and other measures to provide significant analytical insights without breaching confidentiality (e.g., distributions of: labour productivity, value-added to output ratios, high-skilled ratios, R&D expenditure shares, etc.).

## Main measurement challenges

33. In order to improve the statistics on business dynamics, business demography and entrepreneurship, the Task Team will address the following measurement challenges:

- Periodicity and coverage (concerning large and small and medium size enterprises and household establishments) for this kind of statistics (depending on the available information that each country can produce according to their statistical infrastructure). Would coverage be partial or total?
- Compilation of business statistics from a longitudinal perspective, or data collection involving repeated observations of the same variables over short or long periods of time.
- Production of sub-national data, according to the user-centric approach and the increasing demand of users on regional and local information.

- Methodological problems (e.g., panel of enterprises rooted in the business register), also includes the statistical features of linked micro-data sources, and how to derive representative aggregates from linked data.

34. Another challenge would be linking information on employment and skills between individuals or households with enterprises. Specifically, survey information on skills is generally gathered from individuals or households (e.g. LFS). This complicates the derivation of firm-level information on tasks and skills as the coverage of a specific firm’s employees is likely to be small and selective.

35. In addition, another measurement challenge is the cross-country comparability of the statistical concepts, as well as data collection methods.

36. Therefore, the Task Team will identify information gaps through the application of a global survey which also will provide the identification of best practices in the NSOs concerning the topics related to Business Dynamics, Demography and Entrepreneurship.

## Description of timing and deliverables

37. The deliverables of the TT will consist of a diagnosis of practices followed by NSOs, considering a set of identified basic indicators/statistics on business dynamics, demography and entrepreneurship that are important for analytical and policy applications. These indicators will take into account new and emerging topics such as those described in the previous section (e.g. employment, ICT, R&D, etc.). The TT will prepare a report identifying these indicators/statistics, data gaps and practices for collection and dissemination with a view of identifying an efficient and integrated data collection framework given the institutional set up in countries, and that will be useful for elaborating guidance in the near future.

38. For that purpose, in the next table, there is a schedule with the suggested steps and deadlines for accomplishing the deliverables of the Task Team. It is important to mention that the outcomes must be accomplished in a period initially not more than 24 months (the UNSD Committee of Experts on Business Statistics will decide if more work is needed).

39. Additionally, the United Nations Statistics Division will provide to the Task Team the access of a common platform Wiki to facilitate the feedback and exchange of documentation data and comments.

40. In particular, the deliverables of the TT will consist of:

## Deliverables

Actions	Deliverables	Due Date
<i>Analysis and preparation of the available information</i>	<ul style="list-style-type: none"> <li>• List of concepts</li> <li>• Analytical scheme of concepts</li> <li>• Inventory of consulted documentation</li> <li>• Compilation of agreed definitions for including them in the Matrix</li> </ul>	June 2019

<b>Actions</b>	<b>Deliverables</b>	<b>Due Date</b>
<i>Conceptual Design</i>	<ul style="list-style-type: none"> <li>• Draft questionnaire design and pilot implementation project for evaluating it with the UNSD</li> </ul>	January 2020
<i>IT development (SurveyMonkey)</i>	<ul style="list-style-type: none"> <li>• Preparation of the questionnaire for its implementation online</li> <li>• Questionnaire to be applied for Global Consultation</li> </ul>	March 2020
<i>Data collection</i>	<ul style="list-style-type: none"> <li>• Filled out questionnaires from the Global Consultation</li> </ul>	April 2020
<i>Treatment of information and compilation of the outcomes</i>	<ul style="list-style-type: none"> <li>• Filled out matrix with the responses from the consulted countries</li> </ul>	August 2020
<i>Analysis of final results</i>	<ul style="list-style-type: none"> <li>• Report with the main findings about data gaps, opportunity areas and identification priorities for elaborating the recommendations and guidelines in the near future</li> </ul>	December 2020