

## CHAPTER III. CHARACTERISTICS OF STATISTICAL UNITS

3.1. Characteristics of statistical units are data items used for their unique identification, their classification within particular activity area of distributive trade and for description of various aspects of their structure, operation and relationship with other units. Availability of information on characteristics of the statistical units is a precondition for an effective organization of the statistical sample surveys as well as for comparisons and links to be made between data from different data sources thus, significantly reducing the duplication in data collection and response burden.

3.2. The main characteristics of the statistical units are its identification code, location, kind of activity, type of operation, type of economic organization, type of legal organization, type of ownership, size, and demographic characteristics. The list is not exhaustive but those characteristics represent the most important ones from the viewpoint of international comparability, as well as those considered to be of significant national interest. They allow for four distinct types of analysis:

- *Geographical analysis*, allowing for detailed analysis of performance between regions or sub-regions of an economic territory as compared to the national total;
- *Activity analysis*, pertaining to the structure or business cycle of production of one activity or to the comparison of relative performance of several activities within or between reference periods;
- *Legal and ownership analysis*, allowing for comparison of performances across the various ownership and control types like public, private and foreign-owned enterprises by economic activity and between economic activities;
- *Size class analysis*, showing the relationship between the various size classes of enterprises and their activity and performance, as well as the different size structures of the activities by providing an indication of the degree of concentration and competition. This type of analysis is particularly important for studying business demography.

### A. Identification code

3.3. The identification code is a unique number assigned to a statistical unit which may comprise digits identifying its geographic location, kind of economic activity, whether a unit is a principal producing unit or an ancillary unit, link to its subsidiaries/principal if any etc.. The unique identification of statistical units is necessary in order to: (i) allow their registration in statistical business register or inclusion sampling frame; (ii) permit the collection of information about them via administrative sources; (iii) provide a sampling base for statistical surveys; and (iv) permit demographic analysis of the population of units. Identification code must not change throughout the life of the

unit, although some of the other unit's characteristics may change. Common identification codes, shared with administrative authorities and other government departments greatly facilitate the statistical work, including the connection of the statistical business register, if such is established, with other registers.

## **B. Location**

3.4. *Physical location of the enterprise, mailing address, contact person.* The location is defined as the place at which the unit is physically performing its activities not as where its mailing address is. This characteristic serves two important purposes. First, to identify the units and to classify them by geographical regions, preferably at the most detailed level. Second, if a unit operates in more than one location, to allocate its economic activity to the location in which it actually takes place. The latter is important for measuring regional output (regional GDP and other economic indicators) and making regional economic analyses. Since the classification of units by location is of particular national interest, any geographical classification should distinguish the major economic regions or administrative divisions of the country ranging from large areas (states or provinces) to intermediate areas to local areas (towns).

3.5. The details about mailing address, telephone and fax numbers, e-mail address and contact person are also important identification variables since these details are used for mailing the statistical questionnaires, written communication with the unit or making ad hoc queries about its activity. Up-to-date information about any changes in those variables is crucial for the efficient work of statistical authorities.

3.6. *Location in case of multi-establishment enterprises.* Where an enterprise has only one establishment, they may or may not have one location and address. Often, the enterprise address is used for administrative purposes and the establishment address for statistical purposes. It is recommended to work with caution when dealing with large complex enterprises. Depending on which is the reporting unit for a particular statistical survey, the multi establishment enterprise may be requested to provide location details about each establishment it has, or the establishment may be asked about the name and location of the enterprise that owns. In some cases, it may be necessary to correspond with both the establishment and the enterprise because in general, the unit supplying for example employment details is different from one providing financial details.

## **C. Kind of activity<sup>1</sup>**

3.7. *Kind of activity.* The kind of activity is defined as the type of production in which a unit is engaged. The kind of activity characteristic is the principal variable which determines whether or not a given statistical unit is included in scope of distributive trade

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<sup>1</sup> The text in the section C. Kind of activity is based on the International Standard Industrial Classification of All Economic Activities (ISIC), Revision 4, Statistical Papers, Series M No.4, Rev.4 (United Nations publication, Sales No. )

statistics and to what activity class of distributive trade it belongs. The United Nations Statistical Commission at its thirty-seventh session recognized ISIC, Revision 4 as the international standard for economic activity classification<sup>2</sup>. In accordance with this decision it is recommended that the kind of activity of statistical units be determined in terms of ISIC, Rev.4<sup>3</sup> by application of classification rules laid out in its introduction. If a different scheme of national classification of activities is followed by countries, a full correspondence at least at the 2-digit level of ISIC, Rev.4 (i.e. at the division level) should be sought.

3.8. *Principal activity.* The principal activity of a unit is the activity that contributes most to the value added of that unit, or the activity the value added of which exceeds that of any other activity of the unit. It is not necessary that the principal activity account for 50 per cent or more of the total value added of a unit.

3.9. *Secondary activity.* A secondary activity is an activity carried out by a unit in addition to the principal activity and whose output, like that of the principal activity, must be suitable for delivery outside the unit. The value added of a secondary activity must be less than that of the principal activity. Most units have at least some secondary activities.

3.10. *Ancillary activities.* A productive activity undertaken with the sole purpose of producing one or more common type of services for intermediate consumption within the same enterprise is defined as an ancillary activity. Examples of ancillary activities are bookkeeping, transportation, storage, purchasing, sales promotion, cleaning, repair and maintenance, security etc. At least some of these activities are found in every unit. Thus, ancillary activities are those that exist to support the principal and secondary activities of a unit by providing services entirely or primarily for the use of that unit.

3.11. If an establishment undertaking ancillary activities is statistically observable, in the sense that separate accounts for the production it undertakes are readily available, or if it is in a geographically different location from the establishments it serves (see para 2.27), it may be desirable and useful to consider it as a separate unit and allocate it to the activity classification corresponding to its principal activity.

3.12. *General principles for determining the kind of activity of statistical units in terms of ISIC, Rev.4.* The following principles are recommended:

(a) The kind of activity of a statistical unit is determined by the kind of its principal activity; secondary and ancillary activities are to be disregarded when classifying a unit;

(b) If the unit is engaged in several types of independent activities, but the unit itself cannot be segregated into separate statistical units, its kind of activity should be determined according to the ISIC, Rev.4 class with the largest share of value added by using the “top-down” method. The “top-down” method means that first the appropriate

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<sup>2</sup> For the report of Statistical Commission see: <http://unstats.un.org/unsd/statcom/sc2006.htm>

<sup>3</sup> <http://unstats.un.org/unsd/cr/registry/regcst.asp?Cl=27&Lg=1>

highest classification level (one-digit) should be determined, then the lower (two- and three-digit) levels and finally the class (four-digit level);

(c) If value added cannot be determined for the activities involved, classification has to be done by using substitute criteria, provided that they are applied consistently for all involved activities. Such criteria are:

(i) Substitutes based on output - gross output of the unit that is attributable to the goods or services associated with each activity; and value of sales of those groups of products falling within each activity;

(ii) Substitutes based on input - wages and salaries attributable to the different activities; hours worked attributable to the different activities; and employment in the activities according to the proportion of persons engaged in the different activities of the unit.

3.13. Two cases below, where considerable proportions of the activities of a unit are included in more than one class of ISIC, Rev.4, are considered to ensure more uniformity of classification decisions.

3.14. *Classification in the case of vertical integration.* It is recommended that a unit with vertically integrated chain of activities, that is where the different stages of production are carried out in succession by the same unit and where the output of one process serves as input to the next and most of or only the output of the final stage is actually sold on the market, should generally be treated like any other form of multiple activities, i.e. a unit with a vertically integrated chain of activities should be classified to the class corresponding to the principal activity within this chain, i.e. the activity accounting for the largest share of value added, as determined by the top-down method. If value added or substitutes for the individual steps in a vertically integrated process cannot be determined directly from accounts maintained by the unit itself, comparisons with other units (e.g. based on market prices for intermediate and final products) could be used. If it is still impossible to determine the share of value added (or its substitutes) for the different stages in the chain of production activities, default assignments for typical forms of vertical integration can be applied.

3.15. *Classification in the case of horizontal integration.* It is recommended that a unit with a horizontal integration of activities, that is when activities are carried out simultaneously using the same factors of production, and it is not possible to separate them statistically into different processes, assign them to different units or generally provide separate data for these activities, nor will rules relying on allocation of value added or similar measures be applicable, this unit should be generally classified by application of alternative indicators, such as gross output. However, it is recognized that there is no good general rule for identifying the single activity that best represents the mix included in this horizontal integration. Countries are encouraged to develop their own rules for such identification and include them in the metadata for national and international dissemination.

3.16. *Specific principles.* The general principles for determining the kind of activity of statistical units should be supplemented by the following classification criteria specific to distributive trade:

(a) Ideally, the principal activity of the unit should be determined by reference to the value added of the goods sold or the services rendered. In practice, however, it is often not possible to obtain the information on value added for individual products or services and it becomes necessary principal activity to be determined by using substitute criteria (see para. 3.12 (iii)). It is recommended that for the purposes of distributive trade statistics output based substitutes should be preferred for determining the principal activity of trade units. Gross margin (difference between the trade turnover and purchases of goods for resale adjusted by changes in stocks) is conceptually the best output indicator for trade activities. However, it is not readily available in trade surveys and value of turnover the second best alternative output indicator. It should be noted that problems with using the turnover criteria as an output substitute exist because in certain cases the proportionality of turnover and value added may vary within a single wholesale and retail trade and also between trade activities. For example, turnover of wholesale and retail trade on own account usually has a much lower share of value added than a commission trade. Inputs indicators such as wages and salaries attributable to the different activities and employment according to the proportion of persons engaged in the different activities of the unit should be considered as other substitutes for determining the principal activity of units where no other output substitutes are available.

(b) ISIC, Rev.4 is more explicit when the top-down method should be applied for classifying units in divisions 46 - Wholesale trade, except of motor vehicles and motorcycles and division 47 - Retail trade, except of motor vehicles and motorcycles. Due to the specific sub-structure of the divisions two additional levels of classification describing various types of operation have to be taken into account (see para. 3.24-3.36). In case of wholesale trade the division is first subdivided into commission trade and wholesale trade on own account, then the latter is subdivided into specialized and non-specialized wholesale trade. Retail trade is presented in a similar manner. The division is first subdivided into one set of groups for retail sale in stores and another for retail sale not in stores. Secondly, the retail sale in stores is subdivided into groups for retail sale in specialized stores and retail sale in non-specialized stores. The groups for specialized stores are further subdivided into classes according to the range of products sold, while retail trade not in stores is subdivided into trade via stalls and markets and other trade.

3.17. *Application of the top-down method.* It is recommended that for determining the proper classification code of a statistical unit with wholesale or retail trade as a principal activity the type of operation criteria as explained above is followed. On the basis of the listed activities carried out by the unit and corresponding to them value added or other relevant measures the following steps are recommended by ISIC, Rev.4 for the identification of the code:

**Step 1.** Identify the section which has the highest share of the value added

**Step 2.** Within this section identify the division which has the highest share of the value added within this section

**Step 3.** Within this division identify the group which has the highest share of the value added within this division

*Wholesale trade*

**Step 3.a.** Distinguish between commission and own-account trade

**Step 3.b.** Distinguish between specialized and non-specialized trade

*Retail trade*

**Step 3.a.** Distinguish between store and non-store retail trade

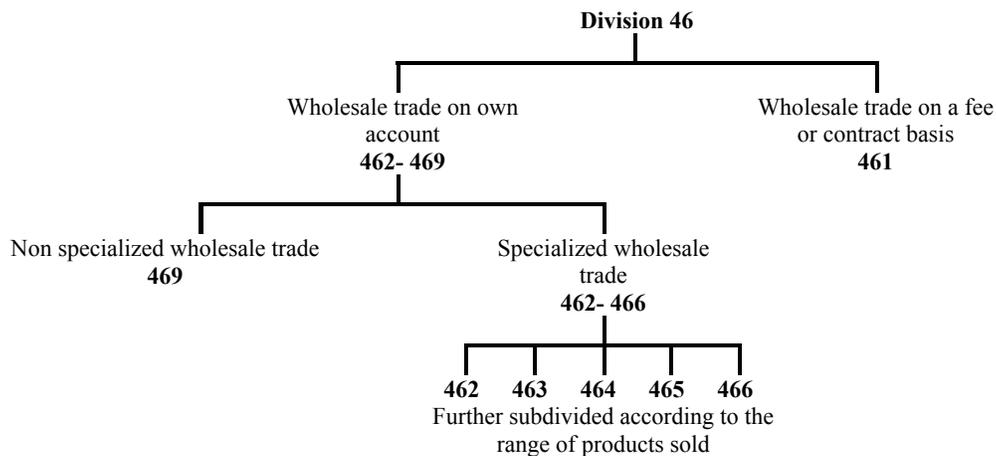
**Step 3.b.** Distinguish between specialized and non-specialized trade (for in-store retail trade activities)

**Step 3.c.** Distinguish between trade via stalls and markets and other trade (for non-store retail trade activities)

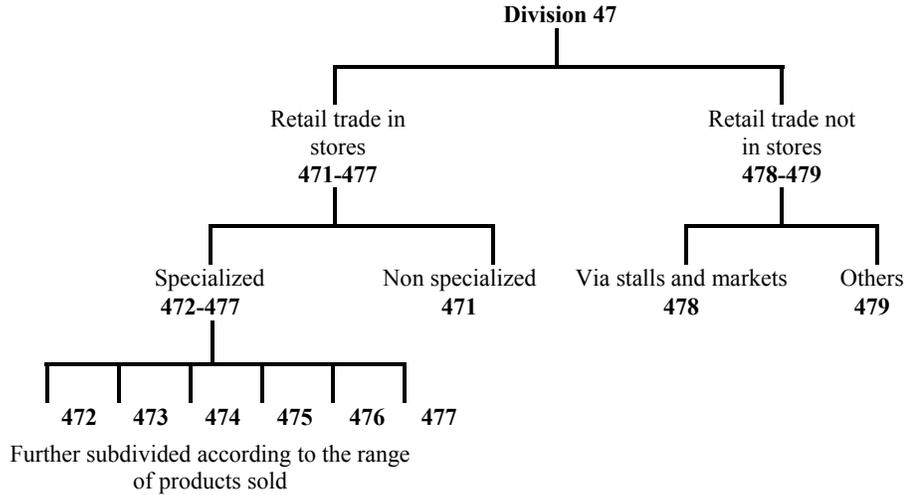
**Step 4.** Within this group identify the class which has the highest share of value added within this group

3.18. The figures below represent the decision tree to be used for the allocation of a unit within ISIC, Rev.4 division 46 - Wholesale trade, except of motor vehicles and motorcycles and division 47 - Retail trade, except of motor vehicles and motorcycles:

**Figure 1. Decision tree to be used for the allocation of a wholesale trade unit**



**Figure 2. Decision tree to be used for the allocation of a retail trade unit**



3.19. When choosing between specialized retail trade in ISIC groups 472 – 477 and non-specialized retail trade in ISIC, Rev.4 group 471, the outcome will depend on the number of ISIC, Rev.4 classes involved, irrespective of the group level importance. It is recommended that the following rules are applied to make that determination (similar considerations apply to specialized vs. non-specialized wholesale trade activities.):

(a) If the products sold comprise up to four classes in ISIC, Rev.4 groups 472 to 477, none of which accounts for a share of 50% or more in terms of value added, but each represents 5% or more of value added, a specialized trade is still involved. It is then necessary only to determine the focus of the activities on the basis of value added. Selecting first the main group and then the class within that group, will then determine the allocation of the principal activity.

(b) If the products sold comprise five or more classes in groups 472 to 477, each representing 5% or more of value added, but none of which accounts for a share of 50% or more, this should be classified as a non-specialized store and allocated to group 471. If food, beverages and tobacco represent at least 35% of value added, allocation will be made to ISIC, Rev.4 class 4711. In all other cases allocation should be to class 4712.

(c) The above allocation rules are always based on the retail activity of the unit. If, in addition to its retail trade, a unit has a secondary activity which also provides services or produces goods, the allocation of the unit to the appropriate class of division 47 is determined only by the composition of its retail activity, i.e. the 5% rule above applies to 5% of the value added of all retail sale activities, not 5% of value added of all activities of the unit

3.20. Illustration on how to adjust the top-down method to the specific substructure of divisions 46 and 47 of ISIC, Rev. 4 is presented in Annex III.

3.21. *Changes in the classification of units.* Units can change their principal activity either at once or gradually over a period of time. The principal activity may change within the year from one statistical period to the next, either because of seasonal factors or because of a management decision to vary the pattern of output. In each case there would have been a fairly sudden change in the balance of activities. Also, a change in the pattern of output or sales may take place gradually over several years. While all these cases call for the classification of the unit to be changed, too frequent changes distort the statistics to the extent of making interpretation extremely difficult.

3.22. It is recommended that countries avoid frequent changes in the classification of units. Countries are encouraged to develop a stability rule. Without such a rule there would be apparent changes in the economic demography of the business population which would be no more than statistical artefacts. The recommended working rule is that the secondary activity should exceed the activity to which the unit is classified for two years before the classification is changed. Similarly, if a unit engages in a mix of activities that are almost balanced, raising the risk of changes for the principal activity, the ratio of activities over the past two to three years should be taken into account for determining the principal activity.

3.23. It is recommended that countries change the classification of units for the purpose of statistical inquiries not more than once a year, either at fixed dates or as the information becomes available. More frequent changes would result in inconsistency between short term (monthly and quarterly) and longer term statistics.

#### **D. Type of operation**

3.24. *Type of operation*, by convention, refers to different methods (ways) of organization of wholesale and retail trade and is used in defining the activities of groups and classes in Section G of ISIC, Rev.4. The item is important from both national and international point of view and can be used to monitor dynamic of operational structure of wholesale and retail trade.

3.25. *Types of operation in wholesale trade.* Wholesale trade units can be classified into the following types of operation, which broadly conforms with the principles for classifying units between different groups of division 46 of ISIC, Rev.4:

(a) Wholesale trade on own account - Wholesalers who buy goods (and thereby assume legal title to them) and sell these goods on own account (ISIC groups 462-469). The wholesale trade on own account is further subdivided into following two groups:

- (i) Specialized wholesale trade (groups 462-466);
- (ii) Non-specialized wholesale trade (group 469).

(b) Commission trade - Agents and brokers, who buy and sell goods to others mainly on commission (group 461).

3.26. It is recommended that the wholesale units which, at the same time, buy and sell on own account and also act as agents or brokers on the account of others, be classified as wholesalers on own account (type a) whenever they derive a gross margin from wholesale trade greater than the receipts from commissions (agents' revenues). The same procedure (the greater gross margin) should be applied for the classification of units engaged in wholesaling and retailing by type of operation because the growth of new large-format retailers makes the current definition of wholesale or retail operations quite broad and difficult for implementation.

3.27. *Specialized and non-specialized wholesale trade.* Wholesales can be either commodity/product specific or general in nature, usually known as non-specialized wholesale trade.

3.28. *Types of retail trade operations.* Retail trade as defined in division 47 of ISIC, Rev.4, includes units engaged in selling new or used goods in small quantities without transformation mainly to the final consumers. Two broad categories of retail trade organization can be distinguished - store and non-store retailing. The two categories are by and large internationally comparable and provide illustration on how the retail sector units operate in individual countries. It is recommended that the following types of retail trade operations are identified:

- (a) Retail trade in stores (groups 471-477):
  - (i) Specialized stores (groups 472-477);
  - (ii) Non-specialized stores (group 471):
    - Food predominantly;
    - Others.
- (b) Retail trade not in stores:
  - (i) Retail trade via stall or markets (group 478);
  - (ii) Others.

3.29. *Store retailers* operate their business from fixed-point-of-sale locations such as shops, department stores, supermarkets etc, located and designed to attract a high volume of walk-in customers. They have extensive displays of merchandise and often use mass-media advertising to attract customers.

3.30. *Non-store retailers* also serve general public, but their retailing methods differ. Such methods include sales from movable stalls either along a public road or at a fixed marketplace, where the customer does not enter the premises where the sale takes place. This group includes also sales through vending machines and the retail sale of any kind of product through paper and electronic catalogues, door-to-door solicitation, in-home

demonstration, direct selling, i.e. direct delivery of fuel, newspapers, etc. to the customer premises.

3.31. *Units engaged in e-commerce.* Business units that sell goods and supply services exclusively through the Internet are creating a new mode of delivering products. Many countries describe these transactions as e-commerce. E-commerce is defined mainly through the electronic transactions, however, separate units that sell goods and supply services exclusively through the Internet are increasingly coming into existence. Though the e-commerce is equally applicable to all major economic activities, it has been expanding tremendously in wholesale and retail trade with the widespread use of computers and internet.

3.32. *Definition of e-commerce.* There are two definitions of e-commerce<sup>4</sup> in use – broad and narrow (see the box below). The only difference between the broad and narrow aspect of the definition is the modes of information flows included: the broad definition accepts, in addition to Internet transfers, transfers made over other computer mediated networks like telephone systems, EDI and Minitel. For the purpose of the IRDTS either one of the definitions is accepted. If the broad definition of E-commerce is followed, this type of operation will be more close to the scope of the entire class 4791 - Retail sale via mail order houses or via Internet, where in addition to the units selling predominantly through Internet, mail order houses (see para. 3.34-3.35) are also included.

#### **Box 2. Definition of e-commerce**

*Broad definition* - an electronic transaction is the sale or purchase of goods or services, whether between businesses, households, individuals, governments, and other public or private organizations, conducted over computer mediated networks. The goods and services are ordered over those networks, but the payment and the ultimate delivery of the good or service may be conducted on or off-line. E-commerce includes orders received or placed on any online application used in automated transactions such as Internet applications, Electronic Data Exchange (EDI), Minitel\* or interactive telephone systems.

*Narrow definition* - an internet transaction is the sale or purchase of goods or services, whether between businesses, households, individuals, governments, and other public or private organizations, conducted over the Internet. The goods and services are ordered over those networks, but the payment and the ultimate delivery of the good or service may be conducted on or off-line. E-commerce include orders received or placed on any internet application used in automated transactions such as Web pages, Extranets and other applications that run over the Internet, such as EDI over the Internet, Minitel over the Internet, or over any other Web enable application regardless of how the Web is accessed (e.g. through a mobile or a V set, etc.). Excluded are orders received or placed by telephone, facsimile or conventional e-mail.

\* Minitel is a videotext online service accessible through the telephone lines. It was launched in France, 1982.

<sup>4</sup> The definitions are endorsed by the OECD member countries. For more details see:  
[http://www.oecd.org/document/22/0,3343,en\\_2649\\_34449\\_34508886\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/22/0,3343,en_2649_34449_34508886_1_1_1_1,00.html)

3.33. For many units, e-commerce is just one of the varieties of means by which sales are transacted. It is recommended that the rules for classifying such units by activities remain unchanged: they are classified to the industry of their principal activity by implementing top-down method. Units that supply services exclusively through the Internet should also be classified to the industry of their principal activity. Units engaged in e-commerce will therefore be found in any industry of ISIC. It should be noted that the only exception to this rule are the retail trade units that undertake their sales exclusively or predominantly through the Internet. They are classified within industry group 479 “Retail trade not in stores” to class 4791. E-commerce in wholesale trade (mainly business to business e-commerce) is not reflected in the current structure of ISIC, Rev.4 because it is classified by product.

3.34. *Other units of distance selling – mail order.* Mail order is a form of distance selling in which the buyer places an order for the desired products with the merchant through some remote methods such as through a telephone call. Products could be advertised by mail order catalogues, radio or TV channels. They are delivered to the customer by mail. The products are typically delivered directly to an address supplied by the customer, such as a home address, but occasionally the orders may be delivered to a nearby retail location for the customer to pick up. Some merchants also allow the goods to be shipped directly to a third party consumer, which is an effective way to send a gift to an out-of-town recipient.

3.35. Nowadays however, most traditional mail order companies also sell over the internet. A company's website became the more usual way to order merchandise for delivery by mail which makes the e-commerce and mail order sales hard to distinguish. Therefore, the ISIC, Rev.4 classifies both kinds of activities in one class - 4791 Retail sale via mail order houses or via Internet. It is recommended that countries apply the top-down method for proper classification and recording of mail order transactions and units.

3.36. *Additional breakdowns of store retailing.* The implementation of a top-down method requires additional details for the two segments of the retail activity. Further breakdowns of store and non-store methods of retailing are recommended. In the category of store retailers, the recommended distinction is between specialized stores and non-specialized stores. It has to be made on the basis of the number of classes comprising the goods sold (see the example in Annex III). In addition to this, the non-specialized retailers are to be distinguished as predominantly selling food products and others. If required or if there is a users' demand, more details of the store retailers' category may be sought. A distinction can be further made between retailers being retail chains, department stores and others.

3.37. *Additional breakdowns of non-store retailing.* The types of non-store retailers' operation also vary because of the different methods of transaction and delivery of merchandise. Due to the expansion of e-commerce and other forms of mail in order trade in almost each country it is recommended their separate distinction whenever appropriate.

## **E. Type of economic organization**

3.38. The enterprise and the establishment are the main statistical units used by countries for conducting the business surveys. The characteristic “type of economic organization” is intended to indicate whether the establishment is *the sole establishment* of the enterprise of immediate ownership or is part of a *multi-establishment enterprise*. If further details are required for the economic structure, the multi-establishment enterprises might be divided into classes according to the number of their constituent establishments that are most appropriate for each country.

3.39. *Links between various entities within an economic organization.* For the purpose of accurate measurement of production and all other flows of goods, services and capital in the economy, it is recommended to have the links between individual entities and any parent enterprise clearly defined. More importantly, these links are fundamental for the efficient sampling design because one survey might gather information on value added, employment and production statistics usually available at establishment level, while another may collect data from consolidated financial statements compiled mainly at the enterprise level.

## **F. Type of legal organization and type of ownership**

3.40. *Legal organization.* The type of legal organization is another important characteristics and possible criterion for stratification of units in statistical surveys. The type of legal organization is the legal form of the economic entity which owns the unit (either the enterprise or the establishment). The recommended minimum classification of units by type of legal organization distinguishes between two main types, namely *incorporated* units and *unincorporated* units. Further breakdowns of incorporated units by *incorporated enterprises* (corporations) except limited liability partnerships and co-operatives, *limited liability partnerships* and *co-operatives*, and *non-profit institutions*; and of unincorporated units by sole proprietors and partnerships not recognized as independent legal entities may also be of interest.

(a) *Incorporated enterprises* include the following:

(i) *Corporations* – legal entities that are incorporated for the purpose of producing goods and services for the market, that may be a source of profit or other financial gain to its owner(s) and are collectively owned by shareowners who have the authority to appoint directors responsible for their general management;

(ii) *Other incorporated entities* - legal entities created for the purpose of engaging in market production of goods and services for profit but incorporated in other forms such as:

- *Cooperatives* - enterprises set up by producers for purposes of production and marketing their collective output in which each owner has an equal share of ownership;
- *Limited liability partnerships* - in these enterprises, partners are both owners and managers and have legally limited their liability;
- *Non-profit institutions* - legal entities that are set up for the purpose of producing goods and services, but their profits cannot be the source of income for the units that own them.

(b) *Unincorporated enterprises* are units set up for producing goods or services which are not incorporated as legal entities separately from their owners. They may include public agencies which are part of general government or sole proprietorships and partnerships owned by households. Some unincorporated enterprises may behave in much the same way as corporations and such entities will be treated as *quasi-corporations* if they have complete sets of accounts, including balance sheets.

3.41. *Non-profit institutions (NPIs)*. It is recommended that only those NPIs which are market producers, i.e. which sell most of their output at economically significant prices, and which are serving and promoting the interests of distributive trade units should be included in the scope of IRDTS. They consist mainly of trade associations or trade employers' organizations. NPIs serving distributive trade businesses engage in activities that are of mutual interest or benefit to the group of units that control and finance them. These NPIs are usually financed by contributions or subscriptions from the group of units concerned. The subscriptions are treated not as transfers but as payments for services rendered.

3.42. *Quasi-corporations*. Some countries may wish to distinguish those of unincorporated units (see para 3.40 (b)) that have characteristics of quasi-corporations. The concept of a quasi-corporation is intended to separate from their owners those unincorporated units that are engaged in commercial activities and are sufficiently self-contained and independent from their owners and which behave in the same way as corporations. In order to be recognized as a separate unit, the quasi-corporation must keep complete set of accounts, including balance sheet or must be in a position to construct such accounts. However, experience has shown that distinguishing the quasi-corporations owned by households in certain cases might be difficult.

3.43. The classification of units by their legal forms has more national rather than international significance; therefore, it is recommended that it is developed in accordance with the legal forms or categories adopted by each country.

3.44. *Type of ownership*. In addition to the kind of legal organization, it is recommended to consider the main types of ownership, i.e., the *private* ownership and the various forms of *public* ownership of units as useful optional characteristics. The criterion to distinguish between privately and publicly owned units should be based on

whether the ownership of the enterprise to which the establishment belongs rests with public authorities or private parties. Public units are defined as those units that are owned or controlled by government units. By contrast, the privately owned units are those owned or controlled by private parties. The public authorities or private parties are considered to be the owners of a given enterprise if they own all, or a majority, of the unit's shares, or of its other forms of capital participation. The control over a unit means the ability to determine the unit's policy by choosing appropriate directors, if necessary.

3.45. *Disaggregation of public and private ownership.* The category of publicly owned units can further be disaggregated into the main divisions of public ownership existing in each country, which would normally differentiate between central government ownership, ownership by state or provincial governments and ownership by local authorities. Within the group of privately owned units, a further classification of ownership, which differentiates between nationally owned and foreign controlled units, can be applied.

3.46. *Cross classification by type of legal organization and type of ownership.* The following abbreviated version of the cross classification by type of legal organization and type of ownership is recommended:

Incorporated enterprises except limited liability partnerships and co-operatives

- Public ownership
  - By central government
  - By state government
  - By local government
- National private
- Foreign controlled

Co-operatives and limited liability partnerships

- Public ownership
  - By central government
  - By state government
  - By local government
- National private
- Foreign controlled

Non-profit institutions

- Public ownership
  - By central government
  - By state government
  - By local government
- National private
- Foreign controlled

Unincorporated enterprises

## **G. Size**

3.47. A size measure of a statistical unit is an important stratification characteristic, essential for sample design and grossing up techniques, providing an indication about the structure of an activity. In general, the size classes of statistical units can be defined in terms of physical units like employment or in terms of monetary units like turnover or amount of net assets. Monetary criteria can be used separately or in conjunction with employment criterion. Exposition area could be used as a specific criterion for the purpose of classifying retail trade units by size.

3.48. *Size based on employment.* A definition of size based on employment is recommended because of its simplicity, general applicability, usefulness and international comparability. Employment data are more readily available (including employment data for small units) in most of the countries and do not require additional statistical calculations and adjustments.

3.49. Employment classes should be measured in terms of the average number of persons employed. If the average number of persons employed is not available, the total number of persons employed in a single period may be used as the size criterion. The following size classification of distributive trade units based on employment is recommended: .1, 2-9, 10-19, 20-49, 50-249, 250 and more.

3.50. In order to maintain the international comparability of data, countries are encouraged to follow the classifications outlined in the preceding paragraph to the extent possible. If necessary, in light of the national circumstances, both the large size classes might be combined or, inversely, more detailed classification should be developed within this framework. It is recognized however, that differences resulting from administrative, organizational or legal reasons may exist at national level. In addition, the wide variety of employment particularly in small retailing units of part-time and unpaid family workers may also complicate the classification of size based on employment.

3.51. The employment in full-time equivalence (FTE) can also be used as criterion for classifying statistical units by size. This measure provides more accurate measurement of employment, avoiding the problem with part-time workers. However, the concept of FTE does not make the data really comparable since it may vary significantly from country to country. It may also not be possible to calculate employment in FTE in some countries due to the necessity of fairly detailed data on hours worked.

3.52. *Size based on turnover.* For some types of surveys or analyses alternative means of measuring the size of the unit may be of national interest. The turnover of statistical units is such a means. Being an important accounting indicator, the turnover could be obtained either through statistical (surveys) or administrative (fiscal or tax records) sources. However, like any other size criterion involving monetary values it has limited application for international comparisons because of the problems associated with the conversion to a common currency. The exact definition and coverage of the turnover may also pose problems especially for units in trade activities. For example the turnover of

wholesale agents working on contractual basis will be entirely made up of commissions, whereas the turnover of the retailer will include the full value paid by the final consumer, including the value of goods bought for resale.

3.53. *Size based on sales space.* Sales space or/and the exposition area are also inferable for the size of retail trade units characteristics. Sale space could be used as a stratification variable for classifying retail trade units, most of which are identifiable with ‘shops’ or ‘outlets’. However, due to non-uniformity of sales space classes and different country practices, the specific categories of sales space as mentioned in chapter III and IV of the present recommendations should be defined in the context of national circumstances.

## **H. The demographic characteristics**

3.54. The demographic characteristics provide information about the period of economic activity of a given unit and include the date of commencement and cessation of its activity. Given the dynamics in creation (birth)/cessation (death) of economic units in trade sector nowadays, the demographic characteristics have their significance for identifying units as a target population for statistical surveys. Moreover, where the statistics about the demography of trade units exists on a regular basis, it can provide useful information on the rate of creation of new units, the chance of units’ survival, and the differences in dynamics of units between ISIC classes. Such indicators allow the trends in the population to be analysed.

3.55. *Temporarily inactive (dormant) units.* In principle, the date of official recognition (the birth or other creation date) of the unit exists and it is stored in the business register or area frame. However, due to a slow administrative process of death registration or cessation of unit’s activity or the intention of the unit to resume its activity after an indefinite period of time, it is more difficult to obtain information about the date (period) at which the unit actually ceases its activity. Therefore, between the period of operation and death of the unit, there might be a period of inactivity, in which the unit will be considered as temporarily inactive (dormant). The information on births and deaths of units may be obtained also from administrative sources such as fiscal or juridical authorities, social security or similar sources or an update of area frames through inter census enumeration, while statistical surveys will detect the status of the unit - i.e. whether the unit is active, temporarily inactive (dormant) or ceased its activity.

## **I. Period of operation**

3.56. This characteristic indicates the period during which a trade unit has been in operation during the reference period. It would be useful to seek information under the following alternative items: (a) in operation since (date), (b) temporarily or seasonally inactive, (c) ceased operation (date), and (d) sold or leased to another operator (name of new operator). Besides the information that this characteristic provides about the activity status of the unit (active or temporarily inactive), it also helps in interpreting the returns

made by statistical units that are affected by seasonal factors and those made by statistical units that began or ceased operations during the reference period.