

<b>28<sup>th</sup> Meeting of the Wiesbaden Group on Business Registers The Hague, 2 – 6 October 2023</b>
Roland Sturm Federal Statistical Office Germany (Destatis)
Session 2: Profiling complex Statistical Units (SUs)
Happy Birthday 696/93

### **Abstract**

30 years ago, in 1993 the European Union laid down legislation on statistical units in official statistics in the EU. Council Regulation (EEC) No 696/93 of 15 March 1993 became binding and directly applicable. It provided definitions and explanations about a variety of statistical units for use in business statistics and beyond. In the legal architecture of official statistics in the EU, 696/93 was intended as a cornerstone regulation many other statistical legal acts refer to. The contribution resumes the – supposed – aims which the authors of the regulation may have had in mind when initiating this legal framework and recapitulates some landmarks in the time that followed and the state of implementation of the content of the regulation till date.

### **Paper**

Birthday oration to Regulation 696/93 on statistical units in official statistics in the EU

My dear 696/93

I will keep calling you by this shortcut of your official name – since the early days of Star Wars movies we know that rather technical creatures with even more technical names none the less do have a soul.

30 years - many of your childhood companions haven't made it for so long a time. I know it well since your birthtime coincided almost with that of my professional life in official statistics. So I can say I know you from the beginning. Regulations on Structural Business Statistics, Short Term Statistics, Business Registers, to name but a few, were also born in these years,

have long given way to successors or have lost their unique appearance and have been transformed to new images.

But not you, my dear 696/93. You are still standing, solitary in a changing world of official statistics. And this is not because you may have been overlooked or lost relevance – on the contrary. I remember well the attempt to merge also you in the big legal body called FRIBS<sup>1</sup> at that time. Meanwhile this is about ten years ago. In the end we left you as we know you. We added some explanatory notes but much of your core has been preserved. But that period of the early and mid-tens of the current century have been exciting – it brought much of your content to careful attention. I will come back to this, but first let's talk about some basics of your great impact on statistics.

Firstly, you are deliberately named Regulation on *statistical* units. To make clear the meaning of this term you explain to your readers also what units are *not statistical* ones – notwithstanding that these are of eminent importance for practical statistics. The Legal Unit, to pick this one, is a very prominent unit for statisticians – but it is not a statistical unit.

Secondly, you explain your readers the *intention* of statistical units. The term itself to some people is misleading. Statistical units are not units which are used in statistical offices apart from the real world. In fact, they are conceptual. They are *not theoretical, but practical*. Statistical units are conceptual in the sense to enable statisticians to capture reality in our statistical picture of the world.

One of your strengths is that you not only provide definitions but also explanations. This means you do not hide yourself in the fortress of theoretical, academic purity but you care for us statisticians who struggle to bring good concepts into actual statistical practice.

As I tried to formulate in 2014 there are interrelations between *definitions* of statistical units, the *operational rules* and their actual *application*:

- The *definitions* should capture decisive characteristics of units which are important from conceptual and analytical view. As concepts and analyses serve practical purposes these definitions are driven of course by issues of real life, they are not “purely academic”.
- The *operational rules* describe in more detail how the definition should be understood or how it can be handled in reality. Therefor the operational rules build a bridge between definitions – which should be concise but also as short as possible in

---

<sup>1</sup> Framework Regulation Integrating Business Statistics, now called Regulation 2019/2152 on European Business Statistics

wording – an application. When drafting definitions and operational rules it sometimes has to be worked out what belongs to the “pure” definition and what is already “practical” and therefore belongs to the operational rule.

- The *application* of the units starts by the decision which unit to choose for which statistical purpose. Operational rules often have to be detailed further and it has to be worked out how to handle the manifold practical aspects, e.g. how to collect data from respondents about observation units and how to transform this data to get figures for the statistical units.

- 

Beyond the definitions you provide “explanatory notes” to make the definitions operational and applicable. In some cases this is of great value, in others you admit yourself that at the time of your birth, “some exercises are underway but not finished” as mentioned in your explanatory note on enterprise groups. You also tend to be rather short on some units – namely the enterprise – and elaborate much more on others – namely the institutional unit, where you borrow from the European System of Integrated Economic Accounts (ESA).

A group of experts, gathered by Eurostat as Task Force on Statistical Units in 2014-2015 gave you, dear 696/93, two documents as companions: Firstly the “Notice of intention of the Business Statistics Directors Groups and the Directors of Macroeconomic Statistics on the consistent implementation of Council Regulation (EC) No 696/93 on statistical units” and secondly the “Operational rules for its implementation” – where “its” means you, dear 696/93.

The first document intended to give a common path how business statistics in the European Union should take a shift in short time. I don’t look at that today.

The second document was formulated to assist the practitioners. I advise it to all your readers. And still there are aspects which prove to be of practical relevance which are neither tackled by you nor the Operational Rules... Let me name two of them:

Let’s have a look at the enterprise: We find evidence the wording of your definition, strictly applied, does not catch reality in a considerable number of relevant cases. You explain to us that enterprises are combinations of legal units. Many statisticians stick to this wording. Evidence is available that in reality we should be ready to split legal units in cases where the abstinence of splitting results in enterprises which are far apart from the idea of the definition. We are in danger of looking at heterogeneous enterprise groups instead of legal units which do not contain the set of production factors or the organisational features which should be visible in enterprises.

The Operational Rules give some hints that the splitting of legal units is relevant and that it is appropriate to do so if the necessary information is available. At the same time the Operational Rules propose some conventions which are clearly owed to the primacy of National Accounts – in doubt the concept of the enterprise which in itself is without limitation by national borders is sacrificed to the requirements of National Accounts to produce national figures.

Let's have a look at the enterprise group: Your wording here is much more voluminous than on the enterprise, at the same time you provide ambiguity in description, which is proof you were the product of the freshest conceptual debates of the time. Some vagueness of your explanatory notes has been healed by the Operational Rules in 2015. First of all they clarify that the concept of control, which allows to identify the perimeters of enterprise groups, has to be applied to legal units. So, conceptually an enterprise group - despite its name - is a set of legal units. On the other hand the Operational Rules also give new ambiguity to the concept of control as they allow for exceptions in cases where there are several decision centers which could be seen as inside a group or as reason to build several groups. If there are parts of the groups which are managed autonomously from each other despite of the existence of a common ultimate controlling unit - why should we look at them as separate groups? The same question applies to financial consolidation: If accounting rules allow to consolidate only parts of enterprise groups – why should this mean that we fragment the groups despite common ultimate control?

This brings me to issue of compromising: Is compromising a sin or a necessity? Some years ago a statistical practitioner in a meeting called out “We can't just trust the register people – they are too conceptually pure!”. I guess he might have misunderstood the intention of trying to be as pure as practically possible. As I wouldn't label myself a martyr I know one has to compromise. From a purely practical point everybody – except martyrs of course – has to compromise when resources are short. Then we have to decide how we best use the resources to achieve the best of our ends. But in the Business Register we face the situation that we do not à priori know the purpose for which our users will apply the units we provide. The more users we have, the more heterogeneous their applications of our units will be. They will also use our units for different purposes. They might ask for legal units in case they need respondents. They might call for enterprises if they want to draw an appropriate picture of economic actors. And they might ask for enterprise groups if they want to examine concentration and monopolies. So, we in the Business Register have good reasons to be as pure as we manage to be.

And we should call our units by their proper names. The proper names are given by you, dear 696/93. We should call a unit “enterprise” if it carries the features of an enterprise as given by your definition. We should call it legal unit if it carries the features of a legal unit. And we should of course show where the different types of units coincide in real-world units (a simple enterprise consisting of just one legal unit) or where they are apart (a complex enterprise consisting of several legal units or parts of legal units).

To work like this in the Business Register we need your guidance, dear 696/93. When we work in the Business Register based on your guidance, we will also check in the real world the relevance of your guidance, dear 696/93. We will appreciate your value and we will detect your shortcomings. In a way this is like in a well working marriage. Maybe this is the reason why it is the Business Register section of many statistical offices where the best experts of statistical units can be found. In the BR we live in intimate relationship with you, dear 696/93.

For this reason, I thought it is a good opportunity to celebrate your thirtieth birthday here, in the world-wide meeting of the community of Business Register people:

Happy Birthday to you – Regulation on Statistical Units 696/93!

#### References

European Community (1993) Council Regulation (EEC) 696/93 of 15 March 1993 on the statistical units for the observation and analysis of the production system in the Community Sturm, R. (2014) Revised definitions for statistical units – conception, application and purpose in mind? Paper presented at the ENBES Workshop, Geneva, November 10, 2014

Sturm, R. (2013) A new statistical definition of the enterprise - conceptual and practical implications, presented at the Meeting of Groups of Experts on Business Registers, organized jointly by UNECE, Eurostat, OECD, Geneva

Sturm, R. (2014) Revised definitions for statistical units – methodology, application and user needs; paper presented at the Conference of European Statistical Stakeholders, Roma, November 24.-25. 2014

Eurostat (2015) Notice of intention of the Business Statistics Directors Groups and the Directors of Macroeconomic Statistics on the consistent implementation of Council Regulation (EC) No 696/93 on statistical units Drafted by the Eurostat Task Force “Statistical Units” Adopted by the ESS Directors of Business Statistics (BSDG) and Macroeconomic Statistics (DMES) 25-26 June 2015

Eurostat (2015) Annex 2 to the Notice of intention of the Business Statistics Directors Groups and the Directors of Macroeconomic Statistics on the consistent implementation of Council Regulation (EC) No 696/93 on statistical units Definition of Statistical Units as in CR 696/93, Annex Section III and IV:

Statistical Units definitions Operational rules for its implementation as developed by the Task Force  
Statistical Units Drafted by the Eurostat Task Force "Statistical Units" Adopted by the ESS Directors of  
Business Statistics (BSDG) and Macroeconomic Statistics (DMES) 25-26 June 2015