Republic of the Philippines
NATIONAL STATISTICS OFFICE

Constructing an Enterprise Frame for the 2011 Survey of Enterprises in the Philippines

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- Background and Rationale

- The Enterprise – Definition, Structure and Taxonomy

- Constructing the 2011 Enterprise Frame

- Issues

- Plans and Strategies

UNSD recommendation to adopt 2008 SNA for international comparability

➢ In 2010, Philippines revised PSNA from 1968 SNA to 1993 SNA and some extent to 2008 SNA

➢ Base year rebased from 1985 to 2000

The switch to 1993 and 2008 SNA

  ➢ requires new kinds of source data

  ➢ puts pressure on the business
      surveys of the NSO to generate
      required statistics

Financial assistance to address PSNA requirements:

1. WB Country Assistance Strategy (WB-CAS)

    - grant under Trust Fund for Statistical Capability Building (TFSCB): "Improving the Quality and Usefulness of the Philippine System of National Accounts" - **TF093517** in May 2009

Financial assistance to address PSNA requirements:

2. Australian Grant for Improving Data Coverage and Quality of Surveys in Support of the PSNA **(Phase II)** - TF098613 in early 2011

- **Phase II (TF 098613)** supported the conduct of 2010 Pilot Survey of Enterprises in the Philippines (PSEP) in November 2011 until January 2012

  ✓ enterprise survey can address adequately and appropriately the inadequacies in <u>coverage</u> and <u>content</u> issues

2010 PSEP results indicated:

On content issue:

➢ identified problematic variables in 1993/2008 SNA compilation were observed to be greater than those captured in ASPBI

On coverage issue:

➢ with better coverage leads to improved estimates of economic and financial variables

2011 Survey of Enterprises in the Philippines (SEP)

✓ Conceptualized based on 2010 PSEP

Enterprises Survey Approach

- ✓ May provide better understanding of businesses' behaviour and operations

- ✓ Expected to address collection problems
  - ▪ Referrals
  - ▪ Consolidated reporting
  - ▪ Reluctance to provide data

ENTERPRISE

based on 2008 IRIS:

- smallest legal unit →
  an organizational unit producing goods and services

- benefits from a certain degree of autonomy in decision-making →

  allocation of its current resources

- may be engaged in one or more economic activities

ENTERPRISE

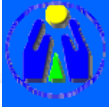*For purposes of 2011 SEP (operational definition):*

- smallest legal unit producing goods and services

- benefits from a certain degree of autonomy in decision-making especially for the allocation of its current resources

- carries out one or more activities at one or more locations

- maintains all records relating to its production activities and transactions

ENTERPRISE

SIMPLE Enterprise - organizational unit comprising of an establishment (single unit) or multiple establishments engaged in a single industry, regardless of location

COMPLEX Enterprise – consists of multiple establishments (units) operating in multiple industries regardless of location

Preparatory Activities for the **2011 SEP**:

- Definition of standard set of categories of enterprises

- Creation of an Enterprise Register

- Profiling of enterprises

- Construction of statistical structure

Business Structure

Parent Company

- an entity with one or more subsidiaries

- may have establishments, plants, divisions, branches under its control

Business Structure

Subsidiary

- an entity that is controlled by a separate higher entity called ***Parent Company***

- maybe a corporation or limited liability company or can be GOCC

- may have one or more establishments, plants, divisions, branches

Business Structure

Establishment

- an entity with the most homogeneous level in terms of production

- can provide information on total production output, cost of materials, services and wages and salaries
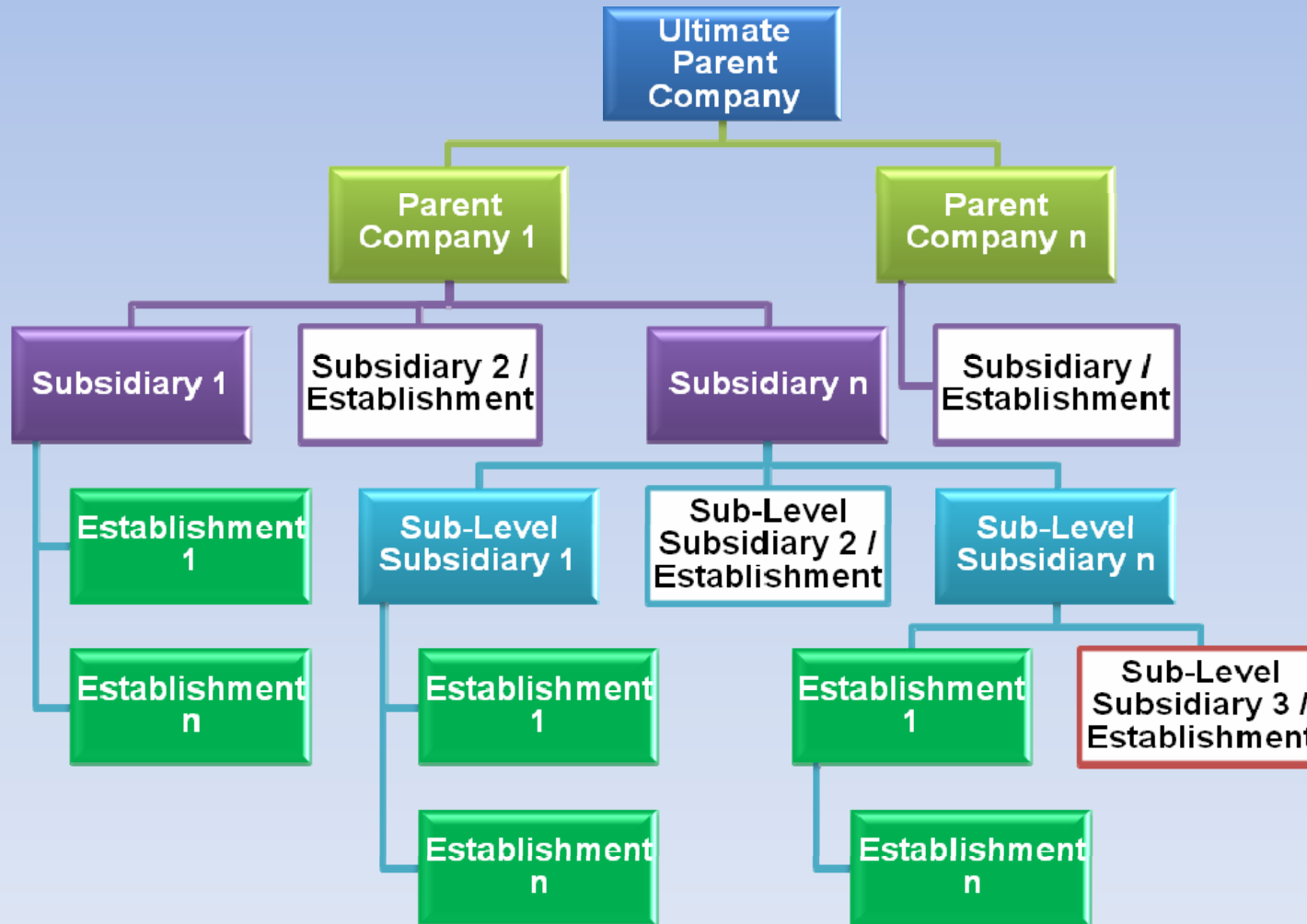
Business Structure

<u>Establishment</u>

- an economic unit under a single ownership or control, i.e. under a single legal authority, and

- engaged in one or predominantly one kind of economic activity, and

- at a single fixed location

Figure 1 – Hierarchical Structure of an Enterprise

Table 1 – Types of Enterprise and their Criteria

Type of Enterprise	CRITERIA		
	Number of Economic Units	Type of Economic Activity	Location of the Economic Unit/s
SIMPLE	Single Unit	Single Economic Activity	Single Location
	Multiple Units	Same Single Economic Activity	Single Location
	Multiple Units	Same Single Economic Activity	Multiple Location
COMPLEX	Multiple Units	Multiple Economic Activity	Single Location
	Multiple Units	Multiple Economic Activity	Multiple Location

Taxonomy of Enterprises

Legal Organization (LO)

➢ legal form of the economic entity that owns the enterprise

- Single Proprietorship

- Partnership

- Government Corporation

- Stock Corporation

- Non Stock, Non-Profit Corporation

- Cooperative

- Others forms of legal organizations

Taxonomy of Enterprises

Industrial Classification

➢ determined by the activity from which the enterprise derives its major income or revenue

➢ Top-Down method as guide

➢ 2009 Philippine Standard Industrial Classification (PSIC)

Taxonomy of Enterprises

Size of Enterprise

➢ determined by total employment (TE) of the enterprise

TE Code	Total Employment	TE Code	Total Employment
0	1 - 4	5	100 - 199
1	5 - 9	6	200 - 499
2	10 - 19	7	500 - 999
3	20 - 49	8	1000 - 1999
4	50 - 99	9	2000 and over

The Enterprise Frame

   - Constructed from the 2011 List of Establishments

The 2011 LE – combined result of

➢ Complete enumeration in priority Barangays

➢ Field verification of establishments from different sources not on the 2010 LE data base

The enterprises in the LE:

- **single establishment**

- **establishment and main office** located in the same address and with branches elsewhere together with its branches, and

- **main office** together with its branches in the LE

Linking of enterprises using the
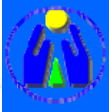
Tax Identification Number (**TIN**)

1. Extract units in the 2011 LE belonging to the formal sector.

2. Attach the TIN to those with **no/blank** TIN.

3. Validate the TIN.

4. Edit the TIN format.

5. Upload the valid TIN in the MLE system.

6. Sort the establishments by TIN.

Linking of enterprises using the
Tax Identification Number (**TIN**)

7. Review preliminary list of enterprises.

    a. Determine the employment size

    b. Verify the industry (PSIC) code

    c. Determine the correct address

    d. Assign an Enterprise Unit Composition (EUC) indicator

    e. Ensure that the business name and registered name are written properly
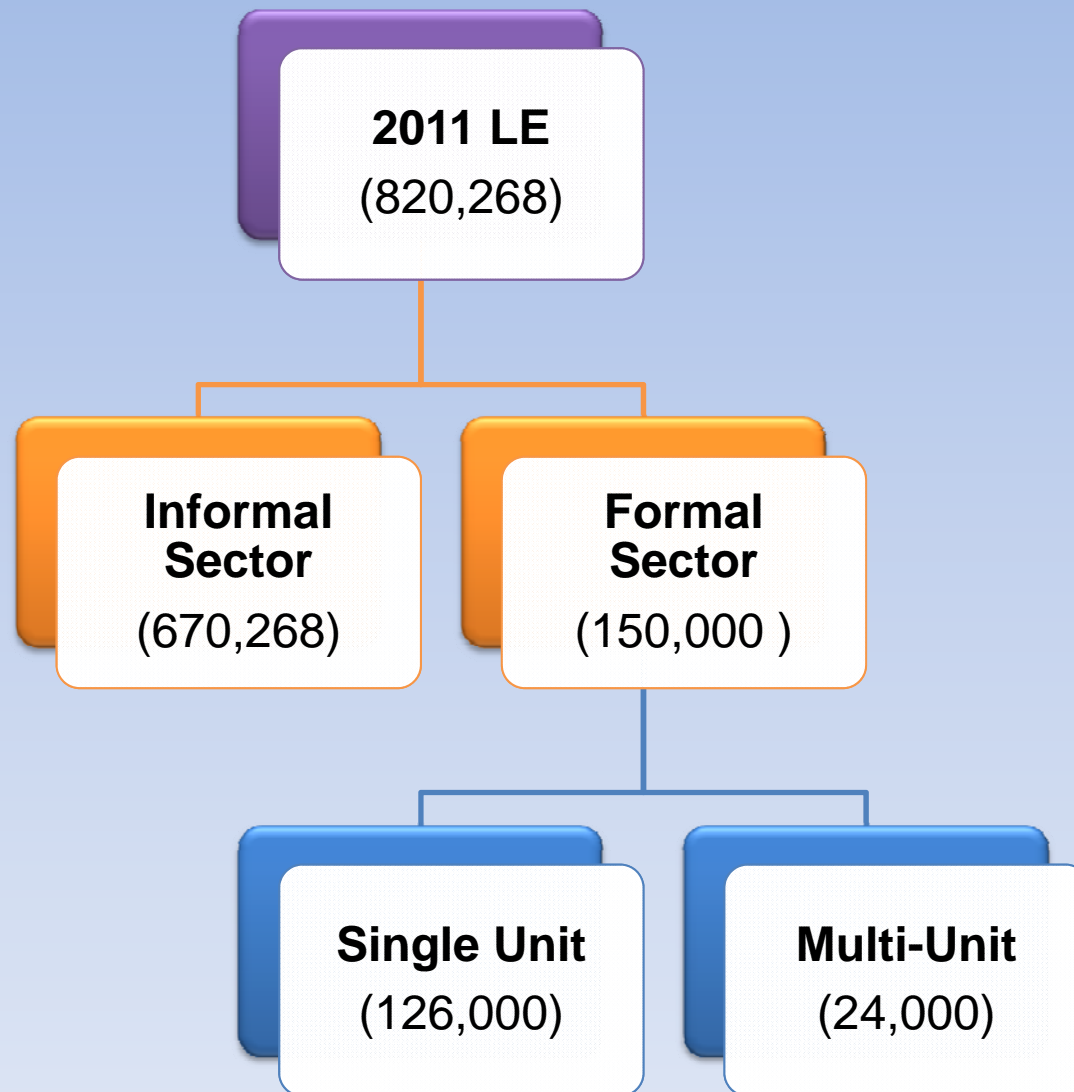
8. Generate final list and distribution of enterprises.

Based on the 2011 LE,

- there are 820,268 establishments

- 86% (670,268 enterprises) are in the informal sector, and 14% (150,000 establishments) in the formal sector

In the formal sector,

- 126,000 of which are single-unit establishments, and 24,000 are multi-unit establishments

2011 LE
(820,268)

Informal Sector
(670,268)

Formal Sector
(150,000)

Single Unit
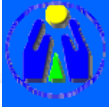(126,000)

Multi-Unit
(24,000)

Total Number of Establishments in 2011 LE

820,268

The Enterprise Frame

114,539 Enterprises
consisting of about
195,000 Establishments

The Enterprise Frame

➢ Contains the list of active enterprises engaged in the production of goods and services in all sectors of the Philippine Economy

➢ Includes
  - ✓ identification
  - ✓ location
  - ✓ contact information
  - ✓ organization
  - ✓ industrial classification
  - ✓ employment and
  - ✓ total assets

Problems encountered:

➢ Coverage, misclassification in terms of economic organization

➢ Linking between LE and BIR list, no-match TIN

➢ Presence of duplicates

Updating of the 2011Enterprise Frame

- ➢ Major sources of updates
  - ✓ 2012 LE
  - ✓ 2012 SEP

- ➢ Profiling of enterprises

- ➢ Financial Statements from Securities and Exchange Commission (SEC)
  - ✓ SEC-iView internet-based utility

Updating of the 2011Enterprise Frame

- ➢ BIR list of Tax Filers
    - ✓ Forge Memorandum of Agreement

- ➢ Re-designing of the machine processing system
    - ✓ Additional fields
    - ✓ Additional modules

Thank you.