

3.5 CONTRIBUTION TO THEME NO. 2

by

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The Institute for Economic and Social Research (IUI) engages in empirically oriented economic research mainly about companies, with information from the companies. We also do quite a bit of research on the economic behaviour of individuals. We are involved in consumption analysis, budget data for households, migration tendencies of labor, etc., but I will here restrict myself to our research involving firms. One can hold different opinions about the role of the firm in society. Some see it as a social institution which has certain production tasks to manage. Other see it as private corporate body, conceptually almost like a person, having the right to a considerable private sphere, without any obligation to society to divulge information. Myself, I take a utilitarian attitude towards the issue of the duty of the firm to provide information. This duty of the firm shouldn't be greater than what is motivated by the economic welfare of the country and then you may ask the next question: How far does it stretch? First, attention has to be called to the fact that it isn't always easy to draw a line between the individual and the firm. This is the case, for example with small companies. We have come across this problem when investigating the financial situation and earning-power of a small company: it is not possible without investigating the economic situation of the owner. Then you immediately see this difficulty in drawing a line.

The second problem regarding the duty of the firm to provide information or the use of information provided by firms is that this information sometimes concerns employees and the management does not always have the right to divulge information about its employees. This can be the case with individual wage-systems in the company and the desire to link this to the profit-earning power of the company. One would think that profitable companies pay higher wages and so on. We have worked with simple hypotheses like this one, but as I mentioned, here we are faced with difficulties in drawing the line.

A third aspect of the duty to deliver information is that the firms compete with each other and don't want to provide information fearing it might become available to its competitors. The profit generated in a firm is often determined to a great extent by its exclusive know-how. Society has understood the importance of the right of firms to retain this kind of information which is essential to their ability to compete - for example, laws governing patents. To stimulate the companies to create new knowledge they have to be given a right to make exclusive use of this knowledge during a number of years. Otherwise, there would be too little incentive to obtain new knowledge.

When we have gone out and posed questions dealing with such sensitive issues as the firm's competitive position, even though we were otherwise well received, we have received no answers, for having come too close to very "hot" issues. For example, this was the case in an investigation about what generates innovation in firms. Here, we were quickly approaching central and sensitive issues in the Swedish engineering industry, where one is working with plans lying 5-10 years ahead, about the products to be sold then. If they are to succeed with their new products, then it is essential that no other company

introduces an equivalent product. So we always get to a point where the company will simply refuse, even if they have full confidence in us. One has to accept that the companies will not divulge information that is vital to them.

There isn't any Swedish interest in forcing companies to provide information that can make it more difficult for Swedish companies to compete with foreign companies.

I would also like to mention the problems we had when we made a large investigation into the direct investments of Swedish companies abroad and tried to obtain information about their subsidiaries abroad. Here the fact is that if we start demanding information about the subsidiaries of Swedish companies, it becomes a very sensitive international matter. You can imagine that one would find oneself involved with weighing very delicate matters if American, Japanese and other governments would demand that their subsidiaries in Sweden should give out information about Sweden. We in Sweden believe that ITT's Swedish subsidiary which produces equipment for the Swedish national defence, should not be required to give out this information or any information whatsoever, to the American authorities, and vice versa. Thus, considerations of international relations limit the possibilities to demanding information from the foreign operations of Swedish companies. Of course we have carried out investigations, but we haven't been able to penetrate as deeply with the investigations as we would maybe have wished from a researcher's point of view.

When collecting information about firms we of course partly make use of existing material which in this country has mainly been collected by the Central Bureau of Statistics (SCB); but there also exist other institutions and growing number of such institutions which are collecting their own information. The Swedish Price and Cartel Office (SPK) for example are not modest in their ambitions to collect such material. The same is true for the Swedish Board of Occupational Safety and Health. We try to use this material, and here we have practical difficulties. There has been a growing reluctance on the part of SCB of permitting access to their records. Previously we were permitted to make use of a richer collection of material directly from the SCB that made it unnecessary for us to seek it from the firms. Now this has changed. Now we can hardly get any information from the SCB, the research paragraph that is said to exist in the regulations of the SCB seems for us to be very unclear and seems to be applied in a very hazardous manner. Sometimes it works, sometimes not. We feel that we are somewhat handicapped in relation to investigations conducted by the government. I know that the SCB probably would not admit this, and I don't know if it's actually true, but we have experienced it that way when we have discovered the kind of material made available to them.

When we cannot get access to the SCB files we have to send an inquiry to each firm to find out if we may get access to its primary material delivered to the SCB. Thus, this is our normal procedure nowadays, but of course it is complicated for two reasons. It delays the project maybe a year to get permission. In addition, when getting the permission, one has to pay quite much to the SCB to make copies of the material given access to. We started a test investigation, which showed that only to get copies of the data given to the SCB from one company would cost us 5,000 Skr. You will then understand that these charges amount to sums that are not possible to deal with.

Another problem is to get information about sampling frames. To know what firms to investigate we need a sampling frame. The secrecy at the SCB has now become so great that we can't even obtain frames from the SCB. That is, we can obtain a sample, but we can't obtain a record of the firms containing more than names and addresses. We will not get information about the number of people employed or any additional variables. This means that we don't have any possibility to control the quality of the SCB's material before the investigation. Earlier, in the sixties, when we had permission we could go through the population in question and find a great number of errors in it.

Hence, as regards populations and the duty to report, I think that the firms should have such a duty to report or that one should be given access to certain general background variables, which are necessary to identify the firms, in order to establish decent frames of sampling. Certain general information like for example the number of people employed and if possible sales statements would be of great value if it could be regarded unclassified material.

I'd like to emphasize the significance of access costs. There is a very subtle difference between being given access to material, let's say it costs a million, and actually not being given access to the material. I mean, that many times the question of economical availability is of central weight to the researcher. If you are faced with very high costs to get access to the material, naturally research will take place on the large institutions with economic resources. I'm happy to say that IUI has better resources than many others - we are not handicapped - but we have very high expenses in this respect.

The institute itself collects information for research, and data about the firms. We've been the first in this country to collect information about the expenses for research in Swedish industry, about the foreign investments of Swedish firms, the lorry traffic, etc. Then the SCB has taken over these statistics and turned it into recurrent regular statistics. We thus initiate new studies which are built on new theories and which are based on inquiries, and these are of course of a voluntary kind. There is no authority we can appeal to in order to oblige the companies to provide information. We don't represent the state. We consequently have to convince the firms of the suitability in participating in our inquiries, and it should be noted that every researcher really has to put a lot of effort into convincing the companies on the one hand of the general interest of the investigations and on the other that the researcher himself has enough capacity to analyze the collected material. I think the demand on secrecy is possible to deal with. However I'm of the opinion that the SCB and all the others who collect material via special units, have to better motivate the collection of information. When answering an inquiry one wants to know: Which problems are to be solved by the information provided? Which people are responsible for the material being analyzed in a qualified way? Like the firms, I myself don't only have demands on secrecy but also on a qualified usage of the given material.

The firms have very high costs for answering our inquiries. The last investigation carried out cost the institute close to half a million crowns, but at the same time we asked how many weeks had been spent by a qualified clerk to obtain the information concerning the firm, and with a somewhat stereotyped calculation of the costs per hour we arrived at the conclusion that the collection of information itself within the firm cost about the same amount of money. Therefore one really has to

remember not to pose questions that make the information costs too high for the firms, because then you will not obtain any answers or you will obtain answers that are close to pure guesswork. The whole quality of the investigation is then considerably lowered.

Convincing the companies to answer our inquiries is a difficult task since we many times pose new questions, new types of analysis, that the firms are not used to, and then you can't make use of general investigations but have to start with explorative studies, in which you first convince 2-3 firms; then make an analysis of their material, and then show how this may give generally interesting results and finally to provide a foundation for more extensive collections of material.

Of course another problem is that we many times are interested in time-series of information from firms, stretching over a long period. In this respect we are dealing with longitudinal studies when we are concerned with individuals. Maybe we are also dealing with longitudinal studies when concerning ourselves with firms, but when it regards firms it is almost impossible to define what a firm was in 1956 and what it was in 1976. A firm in 1956 could be something completely different twenty years later even if it has the same name. Therefore it is difficult to interpret information from time-series concerning individual firms over long periods of time. The difficulty does not lie in the issue of secrecy but in identifying the object itself.

Information about firms consequently very easily becomes out-of-date. It should be possible to demand less secrecy when dealing with material that is over fifteen or ten years old, than when dealing with recent material. There is no firm which does not experience five year old information as history, as something not worth dealing with, while an individual naturally may think that it's very delicate to deal with what he was doing 25 years ago.

The IUI thus collects material on its own and this means that we are almost in the same position as the SCB when it comes to meeting the demands of other researchers on access to our material. The IUI owns the material and the principle employed is that the researcher who has collected the material may use it, that is, in order to write his thesis, and try to exhaust the material before handing it to anybody else, and this is most often a question of a period of 5 to 10 years. No qualified researcher would otherwise collect material, and one needs the most qualified researchers to collect material if there is to be any material worth analyzing. That's why you all the time have to support those talents who are willing to sacrifice four years of their life for the collection of material. This is why I'm very restrictive with letting other researchers have access to the material, before the investigator himself has completed his project. But of course other researchers must have the right to be taken into consideration later on, among other things, in order to check the quality of the research made. Nevertheless this implies a considerable time-lag and if they are to be given access to this material we too have the same demand as the SCB has, namely that they have to ask the companies to be given access. But for material older than 25 years, we have omitted this procedure. In this case we have modified this principle.

As far as information about plans is concerned I think that the duty to report is meaningless. No company can be held responsible for not fulfilling its plans. You could always put the blame on the change of external conditions. The answers are easily adjusted to what is thought to be expected by the inquiring authority.

I would like to end this contribution by expressing a wish for the development of a dialogue with the Central Bureau of Statistics about how far this secrecy about the information is to reach, with what right you will be able to borrow data tapes and carry out compilation and programming on your own. When merging two tapes at the SCB to sort out certain aggregated information, the SCB has to account for the programming and that programming-cost may, as we experience it, sometimes be very high compared to what we would spend ourselves on that procedure. A much more thorough debate is needed on the principles for using the material of statistics on firms kept by the SCB. Furthermore, it is not meaningful to press the firms to give information concerning plans or information that give such high information costs that you really cannot expect to obtain any answers or information that is so essential for their competitive situation that they are likely to tell tales.