

Classifications *Newsletter*

United Nations Statistics Division (UNSD)

*Number 11
May 2003*

Statistical Commission discusses international economic and social classifications

The thirty-fourth session of the Statistical Commission was held at United Nations Headquarters, New York from 4 to 7 March, 2003. The Commission reviewed the ongoing work of groups of countries and international organizations in various fields of statistics, including demographic, social and economic statistics as well as certain cross-cutting issues in statistics. In the area of international economic and social classifications, the discussion focused on activities related to the revision of the International Standard Industrial Classification of All Economic Activities (ISIC) and the Central Product Classification (CPC). In addition to the report on international economic and social classifications, a draft Concepts Paper for the ISIC and CPC revision, as well as a report of the working group on convergence between NACE and NAICS was presented to the Commission. The Commission officially supported the need for a concepts paper to provide a conceptual basis for the ISIC and CPC revisions scheduled for 2007. Moreover, the Commission reaffirmed its support for the consultation process planned by UNSD to include countries and international agencies in the revision process. This includes circulating questionnaires and conducting of meetings and workshops. The Commission also recommended that national consultations on classifications revisions involve a variety of users, including the business community.

The Commission also reiterated its expectation for a positive outcome of the on-going convergence process involving NACE and NAICS. As part of the above-mentioned consultative process, a report of the convergence group summarizing its consultation phase is expected this summer as a major contribution to possible ISIC changes.

It should be noted that a majority of country delegates valued the work of the UNSD and the Technical Subgroup in preparing the draft of the Concepts Paper and the efforts to keep ISIC updated with the rapid changes in the global economy, while also

noting that consultations with countries will indeed facilitate refinement of the Concepts Paper. Notably, delegates were keen to outline the importance of the information and the services sections in the proposed concepts paper, albeit recognizing that their structures should be subject to further discussion and research. Some delegates called for various degrees of flexibility (pragmatism) in the ISIC revision process, in relation to the complex balance among issues of continuity, comparability and relevance. And yet, most delegates stressed the key importance of continuity to the revisions of ISIC and CPC.

Conceptually, some delegates demanded a clear reflection of an organizing principle for ISIC (e.g. production, process, input), with awareness that the production principle has been gaining acceptance. From the content perspective, additional feedbacks are envisaged to clarify and decide on the number and content of high-level categories in ISIC as well as their possible links to CPC categories. A possible top-structure has been presented in the draft Concepts Paper, but is still subject to discussion. For instance, first reactions to the creation of a Repair and Maintenance section highlight the ongoing review process.

The Commission requested that the time-table for revision of the International Standard Classification of Occupations (ISCO) be reviewed, taking note of the planned discussion of this subject at the 17th International Conference of Labour Statisticians (ICLS) in November 2003. However, considering the necessary review process, delegates agreed that moving the deadlines forward is highly recommended for meeting the needs of the next census rounds. The Commission also suggested the creation of a Technical Subgroup to assist in the ISCO revision and drew attention to the need for increased integration of activity, product and occupation classifications.

A comprehensive paper was also presented to the Statistical Commission on the statistics of services, reporting on a wide range of activities in this area. This paper provided an account of the scheduled revisions of ISIC and CPC (as well as noting developments for NACE, NAICS and NAPCS), recognizing them as integral contributors to the work on service statistics.

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Documents of the Statistical Commission are available on the UNSD website at <http://unstats.un.org/unsd/statcom/sc2003.htm>

Technical Subgroup meets to discuss ISIC and CPC

In continuing the ongoing exercise of preparing for the 2007 revisions of ISIC and CPC, the Technical Subgroup to the Expert Group on International Economic and Social Classifications met again this Spring. The meeting was held at United Nations Headquarters, New York, 24 – 28 March. Classifications Experts from North America, Europe and the Asia region participated in their personal capacities.

The meeting focused on a review of the documentation being developed as a basis for consultation in the revision process. The main elements under discussion were a draft Concepts Paper, to be used as the foundation for developing the Introduction to the revised classifications; proposals for the higher-level structure of ISIC (2 higher levels of the structure were presented); and the purpose, scope and coverage of the CPC structure.

In the case of ISIC, discussions centred on the delineation of the 22 categories now being proposed as replacement for the 17 tabulation categories in the current version of ISIC. The objective was to develop a structure that makes the classification more relevant to current economic structural trends, while respecting the need for continuity and comparability. In this regard, the structure now includes a distinct Information Sector as well as a separate Sector for Repair and Maintenance, among others. It should be noted, however, that the majority of Sectors have retained their basic structure. Additionally, a number of issues bearing on the boundaries of existing classes within ISIC were identified for inclusion in the consultation process. Proposals are also being launched for a new structure to be superimposed upon the current highest level in ISIC. The inclusion of such a “top-top” level would be intended to facilitate economic analysis. These outcomes will be recorded in the documentation that will soon be circulated to national statistical offices and international agencies. Responses to it will be critical in determining the final configuration of ISIC.

With regard to the CPC, it was agreed that the documentation would posit the CPC within a larger context of a group of classifications. Such a group would

also comprise separate classifications for assets and for by-products and used goods. These classifications would articulate with the CPC rather than having their individual elements incorporated into the CPC, as is the case at the present time. The obvious advantage would be to attain greater conceptual “purity” of each classification. The possibility of employing different aggregation structures was also considered. The industry-of-origin approach, the demand-based approach and the status quo have all emerged as candidates for the organizing principle of the CPC. Links to other classifications, including the BPM5 - that is itself currently being revised - and EBOPS and COICOP are all being actively investigated as an integral part of defining the structure of the CPC. These factors will all be presented in the documentation to be used for consultation.

Finally, it should be noted that close attention was paid to correlating the schedules of other stake-holders in this round of classification revision exercises – Eurostat, North America, FAO, the IMF - so that the final output of ISIC and CPC will benefit from the relevant parts of their work-in-progress and reflect the most recent and relevant detail possible.

Questionnaire for the ISIC and CPC revision

In 2002 a questionnaire on conceptual and structural issues for the ISIC and CPC revision was circulated to countries to gather information on expectations and major issues to be addressed in the revision process. The results of this questionnaire have been taken into account by the Technical Subgroup of the Expert Group on International Economic and Social Classifications (TSG) in its work performed over the past year. This has resulted in a set of documents that is now being distributed to national statistical offices and international organizations as a second questionnaire for comments. This set consists of four documents, including:

- a) A Concepts Paper, highlighting the conceptual basis for the 2007 revisions of ISIC and CPC;
- b) A draft of a possible structure for ISIC Rev.4;
- c) A discussion paper on coding options for ISIC;
- d) A set of questions for the ISIC and CPC revision that lists the main topics for discussion in short form.

The Concepts Paper is a revised version of the draft that was presented to the United Nations Statistical Commission in March 2003. This paper outlines the basis for the revision process of ISIC and CPC. Many of the

existing concepts, such as criteria and classification principles of ISIC have been reaffirmed, reflecting the expressed need for continuity in the classifications. Some changes in ISIC are proposed for arriving at a more consistent application of the classification. One such change is the more general application of the value added criterion for determining the principal activity of a unit. The discussion on the scope of ISIC and CPC will play a central role in the revision process, recognizing the extended use of the classifications, while considering them in a consistent framework. Discussions on the CPC centre on the possibilities for different aggregation structures, including the industry-of-origin- and demand-based approaches at this time. Retention of the status quo also remains an alternative option. Review of necessary detail will follow.

The draft ISIC structure paper presents one option for a future ISIC structure, taking into account long-standing requests for improvements to ISIC and necessary changes resulting from the goal of reaching convergence among major activity classifications. Some changes, such as the creation of an Information section, have been requested by countries based on the development of NAICS, and are generally supported. Others, such as the creation of a section for Repair and Maintenance activities, the concept of scenic transportation or the general treatment of support services will certainly create more discussion in the months ahead.

Following requests for more high-level detail in the services area and the subsequent introduction of new high-level categories, the draft ISIC structure now shows 22 categories at the top (“section”) level, and additional categories at the next (“division”) level. With the introduction of these innovations, it has also become clear that such a high-level structure may be too broad for many analytical purposes. Therefore, a discussion of a top-top structure (“tabulation categories”), limited to about 10 categories, has been started in the questionnaire. This is expected to continue and to include key classification users such as National Accountants.

In the ISIC structure paper, a number of questions relating to the scope of individual categories have been included, together with alternate structure options and boundary issues for many of the categories shown. In addition to these, a set of 30 questions that are expected have a large impact on the actual structuring of the classification is shown in a separate paper. Responses are invited to these 30 questions, as well as to all other issues raised in the structure and concepts papers.

Beyond these questions there are several proposals for alternative coding structures on the table, explained in a separate document attached to the questionnaire. The choices for a coding structure heavily depend on the introduction of a top-structure of 10 categories or less. Options of retaining the mixed alphanumeric code or switching to a purely numeric code are shown in the paper. Either treatment has its advantages and limitations. Furthermore, coding options for the Manufacturing section, which covers 17 divisions in the draft, are being discussed. This too, puts restrictions on the overall coding system.

The responses to the questionnaire exercise will form the central input to the further revision process stressing more detail in the classification on the upcoming TSG meetings. Therefore national statistical offices are encouraged to start a consultation process in their countries among compilers and users of statistical information and present their views in a consolidated country perspective. Responses to the questionnaires are expected by end of September 2003, so that this input can guide the work of the Technical Subgroup and the Expert Group in their October and December sessions.

The documents included in this questionnaire are available on the Classifications website at <http://unstats.un.org/unsd/class>.

Classifications Website

Over the past few years, the Classifications Website of the United Nations Statistics Division has become a major tool in providing classifications-related information to users in statistical offices and to the business and academic community. The creation of the Classifications Registry has enabled users to browse updated versions of classifications in detail, get information on decisions taken on classifications issues, get information on national classifications and use tools such as the search features for alphabetical indexes. All requests and proposals received in the Classifications Hotline and the corresponding decisions are being recorded in the Classifications Registry. Those of general interest are made available on the website.

Additions to the Classifications Registry over the past year include an extended set of correspondence tables and a list of downloadable products. The extended correspondence tables allow users to quickly link classification codes to categories in other classifications without separately opening up a correspondence table and copying the correspondences required. When

browsing any of the classifications, correspondence links are provided, typically at the most detailed level. These links show the relationship of this particular category to all other related classifications. This makes it easier to compare the scope of individual categories in different classifications and to make decisions on how data should be converted.

The list of free downloadable products, including classification structures and correspondence tables, has become a heavily used source of information, with more than 26,000 downloads in the first year. New files will be made available on this site, from time to time.

In addition to the free products provided, the Classification Section also has a set of electronic products for sale in electronic format, such as PDF, MS Word, MS Excel files or MS Access databases. These files contain more information than the files provided free of charge, such as full explanatory notes, which may be of interest to many users. While these products have always been available upon request, a complete list, with ordering instructions, will be added to the Classifications website. This addition will be finalized in the next few weeks. A "Sales" link in the left-hand menu will then provide access to the complete list of products for sale from the section. As with the free downloadable products, new products will be added to this list, as soon as they become available.

Another update of the website can be seen in the section "National classifications". This section features summary information on national classifications used in countries around the world, including relations to and deviations from international standards, statistical and other uses of the classification and historical information. This part of the website has just been updated with new information on 60 national classifications. If you have information on classifications used in your country, but which is not yet included in the national classifications information on this website, please contact us at CHL@un.org.

The website also provides information on the ongoing revision process for ISIC and CPC. All documents referred to in the other articles of this newsletter are available there.

If you have any suggestions for improving the Classifications website, please let us know at CHL@un.org.

Calendar of events

The first meeting of the Classification Technical Group of ASEAN countries will take place on 9-11 July 2003. The meeting is hosted by ESCAP in Bangkok and will focus on classification issues of concern to ASEAN countries in the areas of agriculture and manufacturing.

The next meeting of the Technical Subgroup of the Expert Group on International Economic and Social Classifications is scheduled for 27-31 October 2003 in New York. The TSG will review the responses to the ISIC and CPC revision questionnaire and prepare proposals for review by the Expert Group and the Statistical Commission.

Preparations are in progress for classifications workshops in cooperation with the Statistics Divisions of the Economic and Social Commission for Latin America and the Caribbean (ECLAC) and the Economic Commission for Asia and the Pacific (ESCAP) in September and October 2003. Both workshops will focus on country input into the ISIC and CPC revision, based on the drafts prepared for the revision questionnaire.

The classifications workshop for ESCWA countries, originally scheduled for April 2003, has been postponed to early 2004.

Editorial note

The *Classifications Newsletter* summarizes recent developments in the field of international classifications and draws attention to the availability of such information in print and on the Internet. This *Newsletter* is published and disseminated by the *United Nations Statistics Division* in Arabic, Chinese, English, French, Russian and Spanish.

For further information contact the Classifications Hotline:

United Nations Statistics Division
Attn: Statistical Classifications Section
United Nations
New York, NY 10017, USA
E-mail address: chl@un.org
Fax: 1 212 963 4116 or 1 212 963 1374

Classifications Website:
<http://unstats.un.org/unsd/class>