

Classifications *Newsletter*

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Technical Subgroup meets to finalize the ISIC and CPC revisions approved by the thirty-seventh Statistical Commission

The Technical Subgroup of the Expert Group on International Economic and Social Classifications (the Technical Subgroup) met on 19-23 June 2006. The objectives of the meeting were to prepare for publication, the drafts of the International Standard Industrial Classification of All Economic Activities (ISIC) Rev. 4 and the Central Product Classification (CPC) Ver. 2, that had been approved by the thirty-seventh Statistical Commission. The meeting also aimed to advance the development of a Companion Guide to ISIC and CPC (Companion Guide).

The discussions were organized around the following topics: review of feedback on explanatory notes of parts of ISIC and CPC requiring special attention, e.g. Broadcasting and programming activities and Employment activities, paying attention to definitions and terminology as well as to associated products in the CPC. Deliberations were also centred on the Introductions to the two classifications, the proposed Annexes to the classifications, the Companion Guide, ISIC and CPC implementation and future work.

In setting some parameters for the meeting, the Chief of the Economic Statistics Branch of the United Nations Statistics Division noted the relevance to the meeting of ongoing development of a suite of standards that would form the basis of successful data management for Integrated Economic Statistics. These standards would comprise ISIC, CPC, their Companion Guide and a selection of conceptual documentation including detailed discourses on statistical units and business registers, in addition to a glossary of terms. The System of National Accounts (SNA) would also constitute an integral part of this grouping of standards. While anticipating that the classifications and SNA revisions would be completed by the end of 2007, he expressed the hope that the documentation that is being generated will be as time-resistant as possible.

Review of linkages between CPC and ISIC and HS

The Technical Subgroup confirmed the desire to link each CPC product to a single ISIC industry. However, as a practical matter, exceptions will be possible, depending on the type of good or service in question. In that context, the Technical Subgroup reviewed the list of these exceptions to confirm their validity and limit their number.

The group also reviewed the necessity of having explanatory notes for all products shown in the CPC. It was agreed that for the CPC subclasses that are defined through the Harmonized Commodity Description and Coding System (HS), no separate note was needed. The definitions and explanatory notes of the HS serve as definitions for the content of these subclasses. However, CPC subclasses that are defined only through parts of HS subheadings need to have separate explanatory notes, since by definition, the HS does not provide the necessary detail in these cases. The group discussed explanatory notes for the CPC products affected by this and will finalize them following the meeting.

Review of special parts of ISIC and CPC

Feedback from countries on the draft explanatory notes revealed problems in a few areas of ISIC, where class definitions were either too ambiguous or have led to conflicting interpretation and implementation in regional classifications. As a consequence the meeting reached consensus on treatment in a number of such areas. In ISIC, these included Broadcasting and programming activities. Regional interpretations, based on organization in this area have resulted in irreconcilable differences and the Technical Subgroup agreed that the only sensible solution in this case was to avoid further disaggregation of the Group 602, "Television programming and broadcasting activities" at the international level and allow national/regional disaggregation, as appropriate, at the lower level.

In the area of Employment Activities, unambiguous terminologies were spelled out for separate classes for:

- "Temporary employment agency activities" which include "activities of supplying workers to clients' businesses to temporarily replace or supplement the working force"; and

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•“Other human resource provision”. Here language was employed to describe provision of human resources that is typically performed on a long-term basis. The nature of the employer/employee relationship was also described to help in enhancing the distinctions.

Introductions to ISIC and CPC

Deliberations on the Introductions to ISIC and CPC were intertwined with the issue of distinguishing which topics were appropriate for inclusion in the Companion Guide and which were better suited to inclusion in the Introductions. In the end, it was decided that the Companion Guide would explain the rationale for the existing structures of ISIC and CPC, elaborating on the conceptual and methodological positions that were adopted, while the Introduction would aim at completeness, providing information that would make the classifications self-contained and implementable if need be. In particular, it would present material on: the purpose, underlying principles, and definitions of key concepts and changes that have been introduced. In ISIC, statistical units and how to classify them according to activity would also be addressed in this part of the classification.

ISIC-specific issues

One of the objectives of the ISIC revision was the development of ISIC as a better tool for economic analysis. In taking cognizance of this requirement, the meeting agreed to include a number of Alternate Aggregations as part of the manual. Such Alternate Aggregations were considered for Information and Communications Technology (ICT), the Informal Sector and Energy. An alternate structure for Non-profit institutions will also be part of the manual. Of special significance in the national accounts context, an aggregation structure at the highest level, containing 10 categories, and appropriate for SNA-type analysis, along with an intermediate level aggregation of 38 categories, will also be presented in an Annex in the manual.

The meeting also discussed the treatment of outsourcing/contract processing in the classification, in order to provide clear guidance on this issue, particularly for the contract processing of manufactured goods, in the Introduction to ISIC. The treatment of related issues in the SNA and the Balance of Payments played an important role in that discussion.

CPC-specific issues

The Technical Subgroup reviewed the approach taken towards “originals”, for consistency, in the CPC.

This would embrace the characteristic of intellectual property and similar products that are not classified as goods or services, as defined by the SNA.

It was agreed to include Alternate Aggregations for ICT products and Energy products in the CPC as these are expected to contribute to the analytical usefulness of the classification.

Companion Guide to ISIC and CPC

In agreeing a framework for the Companion Guide, it was decided that that document will address important conceptual issues in greater detail than that provided in the Introduction. It will also aim to better assist with the implementation of the classification. Among the issues it will explore are: the role of ISIC and CPC; their application rules; the rationale for current structures; the interpretation of certain special areas (such as originals and copies, financial services management, waste management and recovery and remediation) in ISIC and CPC, examining their complimentary relationship in the two classifications in addition to special applications of ISIC and CPC such as Tourism and Non-profit institutions. The Companion Guide will have the advantage of being more expansive in its discussions.

Implementation and future work

In recognizing that the next phase of activity in this process will relate to the implementation of ISIC and CPC, the meeting spent some time on this topic. It agreed on the following recommendations in that regard:

- ISIC Rev. 4 represents a substantial change that will achieve improved comparability of national accounts. In this context, it should be viewed as a critical component of integrated economic statistics.
- The implementation of fundamental classifications like ISIC and CPC is an important element of statistical capacity building and should be incorporated into such programmes.
- UNSD should provide training for trainers, to enhance bilateral efforts in implementation.

A number of tools were identified as being indispensable to the implementation of the classifications, in particular, alphabetical indexes, correspondences to previous versions of the classifications, correspondences to other activity classifications, as well as correspondences to Classifications of Expenditure According to Purpose, COFOG and COICOP.

Some members of the Technical Subgroup volunteered to provide assistance in specific tasks needed to complete the manuals.

The finalized drafts of ISIC Rev. 4 and CPC Ver. 2 are available at the United Nations Classifications Website at <http://unstats.un.org/unsd/cr/registry/isic-4.asp> and <http://unstats.un.org/unsd/cr/registry/cpc-2.asp>, respectively.

While the technical editing of these classifications is now completed, they are still subject to official editing, which is carried out at organizational level. However, this will not affect the structure of the classifications.

It is important to note that the enduring and important outcomes of the revision process are that: ISIC and CPC now reflect current economic phenomena much more accurately; the revisions have also managed to improve comparability with a number of regional/national classifications such as the North American Industry Classification System (NAICS), the Statistical Classification of Economic Activities in the European Community (NACE) and the Australian and New Zealand Standard Industrial Classification (ANZSIC), while maintaining a useful continuity between revisions.

Development of the Australian and New Zealand Standard Industrial Classification 2006 (ANZSIC 2006)

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Introduction

This article describes the joint project between the Australian Bureau of Statistics (ABS) and Statistics New Zealand to redevelop the Australian and New Zealand Standard Industrial Classification (ANZSIC). The revised classification – ANZSIC 2006 – was released in February 2006. The article also covers subsequent work by the ABS to implement ANZSIC 2006 in statistical collections.

Conceptual basis of ANZSIC 2006

There were several broad objectives set for the ANZSIC review project as follows:

- A contemporary industrial classification
- Industrial classifications need to be periodically reviewed to ensure that they remain current and relevant, reflecting the changes that have occurred in the structure and composition of industry since the previous version, as well as satisfying emerging user requirements for industry data.

Since ANZSIC 1993 was developed, there had been significant changes in the structure, composition

and organisation of industrial and business activities in Australia and New Zealand. New materials, technologies and production techniques had been adopted and some of these affected the way industry and businesses operate. Most importantly, whole new industries had emerged and needed to be included in the classification. For example, a range of “new economy” activities now existed, including: Internet publishing and broadcasting, provision of Internet access services, computer retailing, and communication equipment manufacturing.

The requirements of users of industry statistics had also changed. In particular, users required better support for alternative industry views, that is, views of activities, such as tourism, which are not consistent with the standard concepts embodied in ANZSIC 1993.

A more consistent concept of industry

ANZSIC 1993 used a mixture of supply- and demand-side concepts in defining industries. This led to the classification prescribing different treatments for similar productive activities.

The conceptual framework adopted for the development of ANZSIC 2006 used supply-side based industry definitions and groupings as far as possible. With this approach, business units engaged in similar productive activities were grouped together. Units in an industry therefore exhibit similar production functions (a term used to describe the transformation of intermediate inputs, through the application of labour and capital, to produce outputs).

Alignment with international standards

Aligning the ANZSIC with international standards as far as possible maximises the comparability of Australian and New Zealand industry statistics with those of the rest of the world. ANZSIC 2006 aligns with the International Standard Industrial Classification of All Economic Activities (ISIC Rev. 4) and the North American Industry Classification System 2002 (NAICS) at the subdivision level, as far as practicable.

ANZSIC 2006 has achieved comparability with ISIC to a greater extent than earlier industrial classifications. While, Australia and New Zealand had endeavoured to align their 1993 industrial classifications with ISIC, the degree of alignment that it was possible to achieve was reduced by competing classification principles. For example, a different structure of Australian or New Zealand industry, or a lack of significance of some internationally recognised economic activities in the two economies.

NAICS is the industrial classification system used by Canada, Mexico and the United States. It follows the supply-based or production-oriented principle. The Information sector is one of the key features of NAICS 2002 and was used as a model for the new Information Media and Telecommunications Division in ANZSIC 2006.

Other principles

The development of ANZSIC 2006 applied a number of important principles normally followed in the development of statistical classifications.

In most instances, industry classes have been formed only if the activities they cover are economically significant in either Australia or New Zealand and the businesses classified to them are relatively homogeneous in terms of industrial activity.

ANZSIC categories are mutually exclusive and comprehensive in their coverage of productive economic activities.

Consultation program for ANZSIC 2006 development

In the development of the detailed ANZSIC 2006 classification, there was extensive consultation with users of ANZSIC in Australia and New Zealand, including experts in industry structure. More information can be found under “Communication strategies” below.

Implementation of ANZSIC 2006 in the ABS

The ABS learned some valuable lessons during the changeover from the ASIC to ANZSIC 1993, and these have influenced both the strategies and governance arrangements that underpin the ANZSIC 2006 implementation program. A key component of the program, for example, is a stronger focus on assisting users to understand the changes introduced with the new classification and to better manage the impact on users of changes to ABS data. A number of measures will be taken by the ABS to assist users through the implementation period, including publishing data on both ANZSIC 1993 and 2006 bases and backcasting of selected ABS statistics on an ANZSIC 2006 basis.

Broad implementation timetable

The ABS' implementation of ANZSIC 2006 has been devised taking into account two critically important elements. Firstly, establishing the requirements, including timing, of implementation within the

Australian National Accounts (ANA), and secondly, a determination not to release indicator series on a different classification basis to the ANA.

The optimal time for the ANA to be first released on an ANZSIC 2006 basis is late 2009. The ANA timetable will be ANZSIC 2006 based:

- 2008–09 Australian System of National Accounts and the 2008–09 State Accounts released in November 2009;
- 2009 September quarter National Income, Expenditure and Product released in December 2009;
- 2008–09 Tourism Satellite Accounts released in April 2010; and,
- 2005–06 Input–Output Tables released in 2010.

Communication strategies

The ABS has communication strategies covering the development and implementation of ANZSIC 2006. The main elements of the strategies are as follows:

- distinguishing stakeholders with different interests, namely: ABS stakeholders, the Australian Taxation Office, major Australian and international users of official industry statistics, ANZSIC structural users (organisations that use ANZSIC in their own systems), and Statistics New Zealand and other national statistical offices;
- holding seminars with a wide variety of external users during the ANZSIC 2006 development stage (both general and industry specific);
- providing users with discussion papers (broadly at 1993 ANZSIC division level) outlining the reasons for the changes being made to the ANZSIC;
- publication of ANZSIC 2006 Development and Implementation Information Papers (cat. no. 1294.0 and 1295.0 respectively), see link below;
- holding information sessions in each Australian State and Territory to discuss implementation plans for ANZSIC 2006 (annually since 2004);
- use of the ABS Web site to freely disseminate the ANZSIC 2006 and associated support tools accessible via the ABS Web site (as outlined earlier in this article), see link below;
- areas of ABS whose statistics will be affected by implementation of ANZSIC 2006 have completed a ‘communication plan’ which outlines consultation plans, a backcasting or bridging strategy for data series, and how the effects of the implementation will be conveyed to users; and,
- ANZSIC 2006 is discussed at forums which the ABS uses to interact with key users; these include the Australian Statistics Advisory Council and the Economic Statistics User Group.

References

1. ANZSIC 'home page' on the ABS Web site (providing access to the classification as well as various support tools including an on-line search facility):
<http://www.abs.gov.au/ausstats/abs@.nsf/39433889d406eeb9ca2570610019e9a5/a77d93484dc49d63ca25712300056842!OpenDocument>
2. Information Paper: ANZSIC 2006 Development (cat. no. 1294.0):
<http://www.abs.gov.au/ausstats/abs@.nsf/PrimaryMainFeatures/1294.0?OpenDocument>
3. Information Paper: ANZSIC 2006 Implementation (cat. no. 1295.0):
<http://www.abs.gov.au/ausstats/abs@.nsf/PrimaryMainFeatures/1295.0?OpenDocument>
4. Australian Bureau of Statistics - Annual Report, 2005-06 (cat. no. 1001.0):
<http://www.abs.gov.au/ausstats/abs@.nsf/DetailsPage/1001.02005-06?OpenDocument>

The International Classification of Non-profit Organizations

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The International Classification of Non-profit Organizations (ICNPO) is a classification system used for non-profit institutions (NPIs), that is, for organizations that are not-for-profit and, by law or custom, do not distribute any surplus they may generate to those who own or control them; are institutionally separate from government; are self-governing; and are non-compulsory.

The ICNPO was developed initially by an international team of NPI experts because the level of detail available in ISIC, Rev. 3, was not sufficient to differentiate important types of NPIs and because the structure of ISIC divisions and groups does not relate well to the differentiations common in treatments of the NPI sector. The ICNPO was subsequently applied in the development of systematic empirical data on the NPI sector in 40 countries throughout the world as part of the Johns Hopkins Comparative Non-profit Sector Project. The countries involved in this project constitute a broad cross-section of countries that vary in level of economic development; political, cultural and legal system; and size, scope and role of the non-profit sector.

This experience has demonstrated that the ICNPO effectively accommodates the major differences among non-profit groups in a wide assortment of countries, and that it does not exclude, distort, or misrepresent crucial subdivisions of the non-profit sector in various countries. For this reason it was selected as the classification recommended for delineating the non-profit sector in the Handbook on Non-profit Institutions in the System of National Accounts (Handbook), after having been used

successfully in a pilot test of the Handbook by eleven statistical offices.

Conceptual rationale

NPI status is determined by legal, structural and operational characteristics rather than by production or receipts characteristics. Therefore, the non-profit sector described in the Handbook cannot be defined as an aggregate over a particular set of ISIC classes. Although concentrated in particular service activities (e.g., education, human health and social work), in principle NPIs may be found anywhere in the ISIC structure. Furthermore, not all units in a particular ISIC class will necessarily be NPIs even though most of them may be so.

As noted earlier, the ICNPO was developed initially because the level of detail available in ISIC, Rev. 3, was not sufficient to differentiate important types of NPIs and permit their re-aggregation to the classification structure common in treatments of the NPI sector.

The ICNPO is a two-level hierarchical system with twelve top-level groups, including a residual "not elsewhere classified" group. Each top-level group is subdivided into several second-level subgroups, including a "not elsewhere classified" subgroup for each group. The top-level structure of ICNPO is shown in the box below:

Structure of the International Classification of Non-Profit Organizations (ICNPO)	
Group 1	Culture and recreation
Group 2	Education and research
Group 3	Health
Group 4	Social services
Group 5	Environment
Group 6	Development and housing
Group 7	Law, advocacy and politics
Group 8	Philanthropic intermediaries and voluntarism promotion
Group 9	International
Group 10	Religion
Group 11	Business and professional associations, unions
Group 12	Not elsewhere classified

Although it, like ISIC, is primarily an activity-based system, ICNPO elaborates on the basic ISIC structure to permit fuller specification of the components of the non-profit sector. In particular: ICNPO details the ISIC classes in tabulation category Q (Human health and social work activities) to define separate groups with underlying sub-group detail for both human health services and social services.

ICNPO provides further elaboration of the ISIC classes in tabulation category S (Other service activities) to differentiate the many different types of non-profit organizations that have emerged in recent years in addition to the familiar ISIC classes relating to culture, sports and membership organizations.

ICNPO adds an additional group 6 (Development and housing) to accommodate the NGOs that have taken such a distinctive place in the non-profit sectors of developing countries, where they play a crucial role in development activities. Also included here are small-scale, quasi-commercial or financial activities related to economic development, grass-roots organization, sheltered workshops, and the provision of housing and job training.

ICNPO adds a special sub-group 8 100 (Grant-making foundations) for organizations whose principal activity is making grants to other NPIs using funds from donations and from the property income and other returns on the organization's endowment.

ICNPO adds a special group 9 (International) to accommodate organizations that focus their activities internationally. Such organizations promote greater intercultural understanding, provide relief during emergencies abroad, undertake development assistance, and promote human rights and peace outside the nation's boundaries.

Although it is fundamentally an activity classification system, ICNPO does include some purpose criteria where the similarity of activities warrants it. Thus, for example, ICNPO group 6 (Development and housing) includes organizations engaged in both housing production and housing finance. The rationale for grouping them together is that the non-profit character of the organizations makes them more similar to other nonprofits in the housing field than they are to the other production units in their respective activity clusters.

This aggregation structure and the terminology employed mean that the ICNPO highlights activities that are recognizable to both non-profit institutions and members of the public, potentially aiding in self-classification by respondents to surveys and facilitating other data collection activities.

Intended uses

The ICNPO continues to be used by national statistical offices in both data collection and Handbook implementation activities. Most countries

implementing the Handbook have used the ICNPO to report the results, although disclosure or reliability considerations have caused some to combine several of the ICNPO groups.

In addition to satellite account use of the ICNPO, several national statistical programs have also employed it. In Canada, both the Canada Survey of Giving, Volunteering and Participating and the National Survey of Non-profit and Voluntary Organizations use the ICNPO to classify their data. In Italy, censuses of NPIs (Istituzioni non-profit in Italia) and social cooperatives (Le cooperative sociali in Italia) use the ICNPO to classify their respondents.

Data availability/reportability, convenience, cost, etc.

Implementation guidance for both the Handbook and the Comparative Non-profit Sector Project has always assumed that much of the data needed for the satellite accounts would be classified by ISIC (or related classifications); in fact, the Handbook provides a correspondence table to aid in conversion from ISIC to ICNPO.

Electronic data collection instruments provided as implementation assistance automatically convert ISIC-coded data to ICNPO where there is a one-to-one correspondence between ISIC classes and ICNPO subgroups - the majority of cases. Where ISIC classes have one-to-many relationships with ICNPO subgroups, the instruments encourage respondents to use available national detail below the ISIC class level to make the allocation. Finally, respondents are urged to provide detail on entries in the "not elsewhere classified" group, assigning as many of the ISIC classes as possible to other ICNPO subgroups and preserving the ISIC information otherwise.

For more information on ICNPO, the Handbook and the Comparative Nonprofit Sector Project, see <http://www.jhu.edu/ccss>.

Calendar of Meetings

Expert Group Meeting

The next Meeting of the Expert Group on International Economic and Social Classifications is tentatively scheduled for 16-18 April 2007. This meeting will address the implementation of ISIC Rev. 4 and CPC Ver. 2 and will also focus on the revision of the International Standard Classification of Occupations (ISCO). As is customary for Expert Group meetings,

the spotlight will be thrown on the entire family of international economic and social classifications. Attention will be paid to the revisions of classifications in the family as well as to the relationships between classifications in the family.

It is tentatively planned that this meeting of the Expert Group will be immediately followed by simultaneous two day meetings of the Technical Subgroup on ISIC and CPC and the Technical Expert Group on ISCO.

For further information please contact the Classifications Hotline:

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

Publications

Printed versions of the Central Product Classification (CPC) Ver. 1.1 are now available in Arabic. Print publications may be ordered from the UN Publications Sales and Marketing Section, email: publications@un.org.

The full structure and explanatory notes of ISIC Rev. 3.1 are also now available electronically in Russian in database format and the complete publications of ISIC Rev. 3.1, in PDF format are now available in Arabic, Spanish, Russian and Chinese. CPC Ver. 1.1 in PDF format is now available in Arabic, French, Russian and Spanish. The complete publications of the Classifications of Expenditure According to Purpose (COFOG, COICOP, COPNI and COPP), in PDF format, are available in French, Russian and Spanish. For electronic versions of the classifications, please see the United Nations Classifications Website at <http://unstats.un.org/unsd/class>, under "Sales". Orders can be sent by email to: chl@un.org and by facsimile to: 1 212 963 1374.

Editorial note

The Classifications Newsletter summarizes recent developments in the field of international classifications, announces upcoming events and draws attention to the availability of relevant classifications material in print and on the Internet. The Classifications Newsletter can be found at the United Nations Classifications Website <http://unstats.un.org/unsd/class> under "International cooperation in classifications", "Classifications Newsletter".

To receive the Classifications Newsletter by e-mail, you can sign up for our mailing list at <http://unstats.un.org/unsd/cr/regmaillist.asp> or select "Mailing list" from the menu at the classifications website.