Classifications *Newsletter*

Updating the Central Product Classification

The Expert Group on International Statistical Classifications agreed to proceed with an update of the Central Product Classification (CPC) – working towards a CPC Ver.2.1. Some background information was provided in the previous issue of the Newsletter in August 2011. The work has now started and a Technical Subgroup is reviewing the detailed proposals and requirements to determine how to best address the different issues with minimal impact on continuity in the CPC.

Why updating now?

One of the intended functions of the CPC as a central classification of products is to maintain strong links to other product classifications. One of the most notable product classifications is the Harmonized Commodity Description and Coding System (HS), which provides a very detailed system of categories for the classification of goods in international trade. Historically, the HS has served as a provider of building blocks for the goods part of the CPC and CPC subclasses in sections 0-4 have been typically defined as aggregations of HS subheadings. Since the HS follows a five-year revision schedule, it has been agreed at previous meetings of the Expert Group (and repeatedly confirmed) that the CPC should follow this five-year schedule by undergoing reviews that will then decide whether a change to the classification is necessary and what the nature of this change should be.

Within this predetermined cycle, additional information is used to evaluate the need for change in the CPC and to make the necessary adjustments to definitions, structure or linking tables. The areas proposed for review and change during this cycle include agriculture and fishery products and energy products.

In the area of agriculture and food products, major revisions have already been made in CPC Ver.2 to allow a closer link of CPC categories to products used in the collection and dissemination of agricultural statistics. Additional, yet less sweeping proposals for CPC Ver.2.1 have been made to even better align the CPC with the needs of agricultural statisticians. The proposals at the detailed level are now being reviewed for consistency with CPC principles and links to other classifications.

Another product classification that links to the CPC is the Standard International Energy Product Classification (SIEC), which was recently approved as part of the new International Recommendations for Energy Statistics (IRES). While SIEC provides definitions for detailed energy products required by energy statisticians – definitions that for the first time have been agreed upon among major energy statistics producers and users – the link to the CPC is important for placing energy statistics data in the larger context of overall economic statistics. The review of some of the definitional differences also highlights areas that receive more attention in today's economy, such a renewable energy sources or biofuels. While some of them are more explicitly recognized in the HS 2012, their definitions do not always match with those established by energy statisticians, requiring more detailed discussions about their reflection in the CPC.

In addition to these key areas, a small number of corrections and clarifications will be made to individual CPC subclasses, based on information provided by CPC users to the UN Classifications Hotline (CHL@un.org). This includes some corrections in linking tables, clarifications of explanatory notes to avoid confusion etc.

It is expected that the list of changes (once agreed by the Technical Subgroup and the Expert Group) will be circulated to statistical offices for information and comments before the version will be officially adopted and published.

Is the CPC Ver.2 available in print format?

Some time has passed since the CPC Ver.2 has been adopted and the full structure of the classification has been available on the UNSD Classifications website since late 2008. Unfortunately, the process of publishing the CPC in print form and translating it into the other official languages of the United Nations (Arabic, Chinese, French, Russian and Spanish) has been heavily delayed.

With the work on CPC Ver.2.1, which will also include some corrections to the previous version, this process of publishing and translating the CPC Ver.2 has been suspended. Instead, the resources will go into the publication and translation of the updated version, with the intent of making this a faster process to provide users with the classification tools required.

The remaining information that was planned for inclusion in the print version of CPC Ver.2, as well as related correspondence tables, will be posted on the Classifications website shortly.

Revising the BEC

The Classification by Broad Economic Categories (BEC) is one of the most widely used classifications for the analysis of economic statistics, often beyond its original purpose of summarizing international trade in goods. It allows organizing trade in goods but also production of goods into three basic classes of use of the goods within the System of National Accounts, namely, capital, intermediate and consumption use, and has constituted a valuable tool for linking production and trade statistics to support economic policy.

However, in spite of having been revised four times since its inception in the 1960s, BEC's original structure has remained essentially unchanged, focusing exclusively on goods (with services remaining outside its scope) and with some of its categories often appearing to be either too narrow or too broad for the current requirements of analysts and policy makers. Given the increasing importance of trade in services and international supply chains, there is a clear need to adapt BEC to the new realities of global production. A revision of the BEC should aim to improve its usefulness as tool to organize data to better understand at what part of the production chain the trade in goods take place.

This is in line with recent statistical initiatives, which underline the need to modernize statistical frameworks for the integration, analysis and interpretation of data currently available across various statistical silos, as opposed to collecting more data. The goal is to provide users of economic statistics a comprehensive overview of the multidimensionality of international supply and demand chains, allowing them to better understand the links between flows of goods and services and the creation of domestic value added and jobs.

To address this challenge, in May 2011 UNSD supported by OECD submitted to the Expert Group on International Classifications a proposal to revise and update the Classification by Broad Economic Categories (BEC). This proposal includes:

(1) Re-defining BEC structure to better reflect current economic reality;
(2) Extending its scope, including services as well as goods;
(3) Improving explanatory materials to help both compilers and users of data disseminated according to BEC; and
(4) Providing updated correspondence tables to link BEC with other statistical classifications.

Updating the correspondence tables between BEC and other economic categories can be seen as part of a wider effort to provide a framework for integrating economic data across various statistical domains. More specifically, BEC could play a key role as an intermediate classification in the integration of supply and use data through the availability of appropriate BEC-CPC, BEC-HS, and BEC-COICOP correspondence tables. For instance, by using the BEC distinction between final consumption, intermediate consumption and gross fixed capital formation, as well as its further breakdowns along the lines of COICOP, ISIC and the SNA classification of produced assets, it would be possible to reconcile supply and use data in ways that are more meaningful for economic analysis.

Additionally, one of the main elements of the proposal is to improve the internal consistency of the BEC, clearly defining a more coherent set of dimensions within and across its main categories. One possibility would be to adopt the distinction between primary goods, processed goods, and services as the main organizing principle below the broad economic category level. Another possibility would be to use the distinction between intermediate consumption, final consumption, and gross capital formation for this purpose. Any of these two options would imply, among other things, that the distinction between durable, semi-durable and non-durable goods be used only as an alternative grouping, instead of being part of the main classification hierarchy.

A Technical Subgroup is being formed to study the requirements and options for a future BEC structure.

Working Group on International Classifications of the Statistical Conference of the Americas

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The creation of a Working Group on International Classifications (GTCI, by its Spanish acronym), as well as its biennial programme of work for 2012-2013, were approved at the Sixth meeting of the Statistical Conference of the Americas (SCA) of the Economic Commission for Latin America and the Caribbean (ECLAC). The member countries and the coordinator of this group were also elected at this meeting.

The general objective of the GTCI is to support the countries of the region in adopting or adapting the new versions of the international classifications, in order to contribute to the development of official statistics in the various statistical programmes.

Through the Working Group, the Latin American and Caribbean countries can raise, discuss, agree and specify classification proposals that reflect their economies and in turn support the updating of international classifications. They can also stay informed about updates and thus anticipate the impacts and necessary resources to adopt or adapt the new versions of the economic and social classifications.

The initiative to form the GTCI emerged in the "Regional Seminar on the exchange of experiences on classifications and nomenclatures", held at the ECLAC headquarters in Santiago, Chile on 13-14 December 2010. This seminar was organized by the Latin American and Caribbean Demographic Centre (CELADE-Population Division) together with the SCA/ECLAC Census Group, with the support of the United Nations Population Fund (UNFPA).

As a reaction to the needs raised in the Seminar, the Electronic Forum of the Working Group on International Classifications was developed, which is now functioning and hosted on ECLAC's website. There is active participation in the forum through questions on economic and social classifications, but it also works as a virtual space to announce events, share experiences, news and information related to

international classifications, such as the International Standard Industrial Classification (ISIC) and the Central Product Classification (CPC).

The next step was the development of the Terms of Reference for forming a Working Group on International Classifications, presented for its review and approval in the Tenth meeting of the Executive Committee of the SCA-ECLAC, held in Havana, Cuba, on 6-8 April 2010. The constitution of an Initiative Committee to create the Working Group was approved at this meeting, and the development of a biennial programme of work (2012-2013) for planned activities was requested.

The Initiative Committee on the GTCI was composed of the following countries and institutions:
- Chile (INE)
- Andean Community of Nations (CAN)
- Costa Rica (INEC)
- Mexico (INEGI)
- United Nations Statistics Division (UNSD)

The Statistics and Economic Projections Division of ECLAC acted as the Technical Secretariat, while INEGI was carrying out the role of coordinator of the Initiative Committee.

In order to follow up on the task entrusted by the Executive Committee, the Programme of Work of the Working Group on International Classifications of the Statistical Conference of the Americas of ECLAC was developed. This work plan details the activities to be undertaken to attain the following specific objectives of the GTCI:

1. Identify and promote regional and sub-regional cooperation activities to strengthen the capacities of member countries in the processes of adopting international classifications;

2. Exchange and compile experiences, knowledge and good practices related to the implementation of international classifications;

3. Report on a permanent basis about the progress in terms of new revisions of the international classifications, mainly towards carrying out economic and population censuses, and the operations of change in the base year of the national accounts that are being performed by the countries,

as well as for the proper management of business registers;

4. Promote the creation of inter-institutional platforms for collaboration, coordination and integration of regional initiatives in terms of international classifications at the level of country blocs;

5. Give priority to the Spanish translation of international classifications texts, thus enabling the timely adoption in the countries of the region;

6. Negotiate the necessary resources to hold meetings of this Working Group, in order to promote the use and dissemination of economic and social classifications;

7. Promote the creation of a network of experts in international classifications, enabling the countries to rely on communication tools and updates on classifications.

Subsequently, a diagnostic questionnaire was launched. The Online Survey on International Classifications in Latin America was sent to 25 institutions, including central banks and statistical offices in 18 countries in the region. The analysis of the responses confirmed the need for the creation of the GTCI.

It is worth noting that the GTCI will be the common thread to establish a close link between the activities of the areas responsible for classifications in the Latin American and Caribbean countries, and the activities carried out by the Expert Group on International Statistical Classifications of the United Nations (EG). The representatives of national statistical agencies such as Brazil and Mexico are members of the EG as well, and can in this role submit the concerns, opinions and proposals of the Latin American and Caribbean countries in terms of international classifications to the EG.

Classifications are indispensable and efficient tools that allow for the collection, processing and publication of statistical data, their use facilitates the comparability, complementarity and use of the information, and they improve data quality by promoting coherence and consistency of the data. In this context, the EG and the GTCI work together to strengthen the foundations of communication not only between classifications, but between statistical data.

Towards an international classification of business functions

The international outsourcing of business functions is one of the aspects of globalization related to the operating practices of enterprises. In search of efficiency gains and cost-cutting measures, companies are increasingly outsourcing business functions that were performed in-house to either other domestic enterprises or to enterprises located abroad. This typically results in jobs being moved, thus affecting employment and economic activity.

A 2008 study by a number of European countries led by Statistics Denmark attempted to measure the extent of international outsourcing of business functions. An important feature of the study was the breakdown of these business functions into core and support functions (see definitions in Box 1). The results of this study were quite revealing, indicating among others that core functions were outsourced more than support functions. A follow-up study with broader participation of countries is planned for 2012. Because of the employment implications there is a lot of interest in the outcome of these studies.

Box 1. Project Definitions of Core and Support Functions

Core business functions: They refer to the production of final goods or services intended for the market or third parties carried out by the enterprise and yielding income. The core business function equals in most cases the primary activity of the enterprise. It may also include other (secondary) activities if the enterprise considers these to comprise part of their core functions.

Support business functions: Also called ancillary activities, they are carried out in order to permit or facilitate production of goods or services intended for the market or third parties by the enterprise. The outputs of the support business functions are not themselves intended directly for the market or third parties.

In order to be able to internationally replicate and compare the results of such studies, there is a need to develop a standardized classification of business functions. Such classification would go beyond the traditional product or activity breakdown (CPC or ISIC) and provide categories that are more relevant for the way in which companies structure their operations. Such classification would be key in measuring Global Value Chains (GVCs) as well as relating business functions to international trade flows.

Table 1: Proposed Classification of Business Functions and its CPC correspondence

Business Functions		Central Product Classification
1. Core business function		
	88	Manufacturing services on physical inputs owned by others
	854	Packaging services
	87	Maintenance, repair and installation (except construction) services
	89	Other manufacturing services; publishing, printing and reproduction services; materials recovery services
2. Support business functions		
2.1 Distribution and logistics		
	61	Wholesale trade services
	62	Retail trade services
	65	Freight transport services
	671	Cargo handling services
	672	Storage and warehousing services
	6791	Freight transport agency services and other freight transport services
	68	Postal and courier services
2.2 Marketing, sales and after sales services including help desks and call centres		
	83114	Marketing management consulting services
	836	Advertising services and provision of advertising space or time
	837	Market research and public opinion polling services
	83812	Advertising and related photography services
	85931	Telephone call centre services
	85962	Trade show assistance and organization services
2.3 ICT services		
	8313	Information technology (IT) consulting and support services
	8314	Information technology (IT) design and development services
	8315	Hosting and information technology (IT) infrastructure provisioning services
	8316	IT infrastructure and network management services
	841	Telephony and other telecommunications services
	842	Internet telecommunications services
2.4 Administrative and management functions		
	82	Legal and accounting services
	8311	Management consulting and management services (excl 83114)
	8312	Business consulting services
	8319	Other management services, except construction project management services
	8592	Collection agency services
	8594	Combined office administrative services
	8595	Specialized office support services
2.5 Engineering and related technical services		
	833	Engineering services
	8391	Specialty design services
2.6 Research & Development		
	81	Research and development services
Recently proposed additions:		
2.7 Procurement		
2.8 Finance and accounting		
2.9 Facility management		
2.10 Other types of functions		

Building on this initiative, UNSD took the lead in 2011 to push for an International Classification of Business Functions. A draft classification with correspondence to CPC products (see table 1 above) was prepared and submitted to the attention of the Expert Group on International Economic and Social Classifications at its meeting in New York from 18 to 20 May 2011. The Expert Group agreed that guidance for the identification of core and support business functions should be developed, and mandated a Technical Subgroup (TSG) to develop a new proposal by March 2012. The status of the proposed classification is still under discussion; it could be seen as an alternative grouping of standard CPC categories, or it could become a classification on its own.

General census of economic establishments in Jordan 2011

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[Translated from Arabic]

The Census of Economic Establishments is considered one of the most important national projects carried out periodically by Jordan's Department of General Statistics, since it represents a valuable source of information on all economic activities, the number of employed persons and the number of economic establishments in Jordan. The Department did the first comprehensive Census of Economic Establishments in 1999. That census served for the preparation of a comprehensive framework for economic establishments with respect to their number, geographic distribution and areas of concentration within the Kingdom's governorates. The conduct of that census was based on the comprehensive population framework made available through the population census, which had been done in 1994. The population census provided lists of all residential and non-residential buildings in the Kingdom in order to ensure full coverage and accuracy during the count.

In addition, documents were available in the Department that had been prepared at the time of the preparations for the 1994 Population and Housing Census. They included maps of population agglomerations, approximate maps of blocks (sketches) and lists of buildings. Those tools were used to facilitate the task of interviewers during the enumeration process and enable them to have access to every building with all its units so as to include all the establishments in the block.

In the second Census of Economic Establishments, carried out in 2006, the same counting methodology was followed in terms of the use of the documents and lists of the 2004 population census.

Reasons for carrying out a Census of Economic Establishments in Jordan

Economic surveys rely, for sampling purposes, on the census of establishments carried out in 2006, which provided a comprehensive framework for all economic establishments. However, owing to the increase in the number of establishments, changes in the characteristics of existing establishments and the fact that some establishments have gone out of business, the framework of that census ceased to comprehend the totality of economic establishments.

It was not possible to update the 2006 framework owing to the inadequacy of administrative resources whereby one might add establishments that were registered and conducted their business after 2006 and remove those that closed during that period.

It is not possible to define information and communications technology activity by means of ISIC Rev. 3; consequently we have been unable to carry out specialized surveys on information and communications technology, owing to the unavailability of other resources for defining that activity.

Aims of the census

The main objectives of the Census were:

• To provide a comprehensive statistical framework with the names, locations and characteristics of all economic establishments according to geographic location, economic activities, number of employees, income, economic organization, ownership and type of legal entity, as well as the possibility of obtaining certain other indicators, all of which will permit the creation of a comprehensive database that can be used for conducting studies and research required by the economic development programme;

• To provide a comprehensive national register of economic establishments periodically updated by means of the various administrative resources;

• To meet the economic data needs of the public and private sectors, researchers and analysts;

• To produce an accurate, comprehensive sampling framework for the economic surveys done periodically by the Department, such as the industry survey, the energy survey, the survey on transport, storage and communications, the construction survey, the service survey, the domestic trade survey, the finance and banks survey, the survey on the use of information and communications technology, the foreign direct investment survey, the employment survey and any other survey which the Department is charged with carrying out.

Census methodology

Coverage of the census

All economic establishments in the Kingdom were enumerated and data were collected about them, with the exception of the following types of units: agricultural establishments, military and security establishments, diplomatic embassies and consulates and the public administration.

Census documents

The principal documents prepared for the census were the following:

1. The census questionnaire. A special questionnaire for this census was prepared, including all the necessary data to be collected from all economic establishments at the time of the visit by the interviewer to them. The data included in the questionnaire were as follows: the establishment's identifying information, authorized capital, equity participation, government control over the general policies and decisions of the establishment, number of persons employed in the establishment according to nationality and sex, yearly income of the establishment, official holidays of the establishment, extent to which facilities are provided for persons with special needs and other data needed by specific institutions.

2. Register of buildings and establishments. A special questionnaire was designed for the enumeration of buildings and establishments to ensure that all the contents of buildings, residences and establishments were observed with a view to correcting any omissions that might occur and ensuring the all-inclusiveness of the count.

3. Instruction manual and checking rules. A manual was prepared for interviewers, including instructions for filling in the questionnaire and a detailed explanation of every question found in the questionnaire and the manner of completing the data. It also included the necessary rules pertaining to checking and the duties of all persons working on the census.

4. Coding manual. A manual was prepared on the coding of establishments in the census in accordance with the new International Standard Industrial Classification of All Economic Activities, Revision 4 (ISIC4), which the United Nations Statistics Division recommended using rather than the present classification (ISIC3).

Implementation of the census in the field

The data-collection process began on 1 January 2011, after a preliminary trial, and continued until 31 May 2011. During that period, the interviewers visited all the establishments in all the governorates of the Kingdom. Prior to that, field teams had been formed, each made up of a number of interviewers, and the Kingdom had been divided into seven areas of operation, each of which was supervised by a coordinator with whom there were associated a number of inspectors that depended on the area of the region and the number of blocks in it. Each coordinator was entrusted with the task of providing offices in those regions for the teams under his responsibility and, in coordination with the administrative heads in the various regions, the gathering, setting out and distribution of the field teams, in addition to field checking of questionnaires.

Office processing of data, computation of results and preparation of the report

The questionnaires coming in from the field were checked, coded and sent to the computer department in order to be entered as they arrived. This process commenced as soon as the questionnaires were received and subjected to office processing. Then began the operation of correcting the data for errors – an operation that is still in progress. The computation

of the results and the publication of the report will take place toward the end of 2011.

Estimated census budget

The budget for the census has been estimated at approximately 1,200,000 United States dollars, for which an appropriation has been made in the budget of the Jordanian Government.

Difficulties and problems encountered

In the process of coding economic activities it appeared that ISIC Revision 4 gave a more precise and detailed description than ISIC Revision 3. As a result, the coder was unable to determine the description of the activity precisely. For example, in the coding of the activity "refrigerator repair", there was some difficulty as to whether to code this activity as a service activity or an industrial activity, inasmuch as most establishments repair both household refrigerators (ISIC Rev.4 class 9522) and display refrigerators (ISIC Rev.4 class 3312) and it is not possible for the person providing the data to distinguish between the two.

Similarly, distinguishing between the manufacture and repair of shoes and boots led to confusion as to the classification of these two activities due to the fact that in most cases they go together. This results in a bias in the coding of the activity so that in the majority of cases ISIC Rev.4 class 1520 was used, which is within the manufacturing activity. This also applies to cafe (ISIC Rev.4 class 5620) and restaurant (ISIC Rev.4 class 5610) activities, which it was easy to classify in ISIC Revision 3 (class 5520), because they both came under a single activity, whereas the difficulty in classifying them in ISIC Revision 4 is that they have been separated from one another.

During the coming year, sampling on economic surveys will be done with the use of the framework provided by the General Census of Economic Establishments and economic activities will be coded in accordance with ISIC Revision 4, which will mean using CPC Version 2 side by side with ISIC Revision 4. Inasmuch as CPC Version 2 does not exist in Arabic, its use will involve some difficulty, for the current version is in English. It would be extremely difficult to translate it, owing to the lack of specialists capable of carrying out that task with any degree of accuracy.

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 on the United Nations Classifications Website at http://unstats.un.org/unsd/class under "Newsletter".

To receive the Classifications Newsletter by e-mail, you can sign up for our Newsletter mailing list at http://unstats.un.org/unsd/cr/registry/regmaillist.asp or select "Mailing list" from the menu at the Classifications Website. For further information please contact the Classifications Hotline:

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