Questions and challenges for implementing a regular revision cycle for ISIC

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Context

The UN Statistical Commission noted in its Report on the 55th Session

"the recommendation by the Committee of a five-year revision cycle and acknowledged the concerns expressed about that frequency" and *"requested the Committee to propose and evaluate procedures, stages and milestones for implementing a regular revision cycle for ISIC and CPC leading to the next revision, and report back to the Commission by 2028"*.

The revision of a classification

- The revision of a classification is characterised by two main steps:

  - the <u>definition</u> of a new classification, which starts with the collection of user requirements to assess the need for a revision and is followed by the creation of an updated structure, the drafting of new explanatory notes, the setting up of correspondence tables to other classifications as well as the definition of the respective national versions

  - the <u>implementation</u> of the new classification in the production system, in which these modifications and changes are implemented in the respective statistics
    - Implementation is a necessary requirement for the relevance of a classification as well as for data coherence across domains and geographical data comparability

- The recent *definition* of the new ISIC Rev 5 was carried out over 6 years (2019-2024), whereas its *implementation* was recommended to start with the recoding of statistical business registers which should be done by 2026 and continue with the implementation in the statistical domains as of 2027

Two main steps of the revision

- The *definition* of a new classification (including new structure, explanatory notes, correspondence tables as well as definition of national versions) may in the future be produced in a timeframe of less than or equal to 5 years

- The *implementation* is conditioned by the timing imposed by the production of the different concerned statistical products, which includes, among others:
    - specification of data requirements
    - adaptation of surveys and other data collections
    - definition of files related to the transmission, validation and treatment of data calculation of indicators
    - coordination of the implementation steps across domains in a cascade that can ensure cross-domain consistency

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Important implementation aspects (1/2)

- The implementation of a new classification can take different times depending on the statistical product

- <u>Time series data</u>, spanning over periods longer than five years, serve as fundamental elements for policy analysis and economic monitoring. Frequent implementation waves of new classifications have negative impacts on policy monitoring, forecasting or analysis if not mitigated by costly procedures such as backcasting

- The timeline for implementing new classifications is not everywhere clearly detailed or legally regulated. In case the capacity of statistical data producers to implement more frequent revisions is different, there is also a real risk of losing <u>cross-country comparability</u> at worldwide level

Important implementation aspects (2/2)

- Classifications are not used exclusively in the statistical context but are also used also in *administrative bodies*.
  - ➢ leading to regulatory texts and/or legal obligations
  - ➢ providing statistical business registers in several countries with the economic activity codes of new enterprises

- Short revision cycles require full-time staff dedicated to the development, maintenance, and implementation of economic activity classifications
  - ➢ The vast majority of countries and international organisations operate with a limited number of staff and are not able to implement a new classification with too short a review time

The ideal revision pace?

- Based on the time period required for the revision of ISIC Rev.4, the requirements of the statistical producers concerning the implementation as well as the user needs, the ideal revision pace for a classification of economic activities would be **10 years**

- The revision of a classification can involve several types of activities, ranging from an adaptation of definitions to a structural revision of the classification itself. A viable option could be to have **alternating 'levels of depth' of reviews** where minor reviews of specifications are done with a higher frequency (e.g. every 5 years) in combination with extensive structural reviews of the classification (every 10 years)

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Questions

- By when is your national version of ISIC Rev. 5 defined?

- By when does your organisation foresee to achieve full implementation of ISIC Rev. 5 in:

  ❑ your statistical business register

  ❑ in business statistics

  ❑ in national accounts?

- What about time series in your countries?

Thank you

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