

## 2nd Meeting of the Friends of the Chair on Economic Statistics

UNHQ, New York, USA

2-4 December 2019

**Agenda Item 6:** This session will build on session 4 with a discussion on how we can better deliver this system and serve our users through changes to the institutional settings that e.g. increase responsiveness, increase multi-country collaboration, and increase concerted experimentation. The desired outcome is an agreement on a set of recommendations for improving the agility of the system of economic statistics.

6. **Potential improvements to the system of economic statistics? (the ‘how’)**  
(Moderator Jorgan Elmeskov)

a) Ideas for improving the flexibility and responsiveness of international standard setting ([Australia and South Africa provide papers from a national perspective](#), [Eurostat and UNSD from an international perspective](#))

**Recommendation:** That the UN Expert Group on International Statistical Classifications, consulting the UN Advisory Expert Group on National Accounts, develop a program of work that tests more cost effective and timely means of updating economic standards in some priority areas.

### **Why standards need to evolve**

It is important that the way standards are constructed allows them to be sufficiently robust to be relevant for an expected period of time, to allow for analysis of trends over time (provide stability), while reflecting the economy (remain relevant and contemporary). Standards need to evolve to reflect real world changes e.g. in economies and labour markets. Whilst new occupations and business activities can be classified within existing categories, often being captured in “not elsewhere classified” categories, this does not allow measurement of the prevalence.

Traditionally, time has been a major consideration for determining when a review of standards is undertaken e.g. every 10 – 15 years. With the recent increase in the rate of change in some industries and occupations, Australia (in collaboration with New Zealand) is considering different options for both reviewing and maintaining economic standards taking into account:

- how best to include user (statistical and non-statistical) feedback on continuing relevance and ease of use of a standard,
- increasing costs associated with not reviewing a standard (eg costs associated with practices introduced to work around the areas where a standard is not meeting user needs),
- the complexity of the standard and its use, and
- the impact that a major change in a standard will have on users. This impact could encompass ICT, legislative, policy and business process changes.

### **Challenges of changing standards**

Where standards are complex in structure and application, challenges arise. For example, the Australian and New Zealand Standard Industry Classification (ANZSIC) – Australia and New Zealand’s equivalent to the ISIC– is in itself complex with a hierarchical structure, used statistically as both an input and output classification and non-statistically for compliance, reporting and analysis.

The last full review of the ANZSIC took approximately six years from commencement to publication. This exercise was complex as it considered the underpinning concepts, other international industry classifications and their likely future directions as well as needing to deliver a product which was suitable for both countries for statistical and non-statistical use. Implementation of the updated ANZSIC, within the two NSOs alone, took a further six to seven years and cost the ABS in excess of \$A20million. In Australia, additional and significant costs were then borne by other agencies, for example the Australian Tax Office, to implement the new standard in their systems.

## **Ideas on how to contemporise the evolution of standards**

ABS has been considering options to progress reviews of major economic standards in a more cost effective and timely manner. Some of the options being considered are:

- Targeted reviews, where categories are reviewed according to their propensity to change. Under this approach, we could focus our revision efforts to parts of the classification that are in most need of change and at the most granular level. For example, the occupation of a dentist would be classified similarly to 50 years ago, whereas emerging occupations like 'data scientist' are missing from occupation classifications. Countries could share coding results (especially responses that fail coding) to give insight into where the classification is struggling.
- A federated approach, where international standards are based on broader design principles, with a focus on mechanisms to make local adaptations interoperable.
- Modular structures for classifications, based on economic themes - a common core module broadly applicable to all countries, and specific modules applicable to, say, natural resource economies, technology economies, knowledge and service economies, agriculture economies, and so on.
- Hold steady the official hierarchy of a classification above the most granular level (or at an agreed level in the hierarchy) for a fixed period (e.g. 5-10 years) and progress any review to align with Australia's census cycle.
- Support non-statistical users to create alternate views of the hierarchy if this will better meet their needs. This approach has been taken in development of the Australian Statistical Geographical Standard (ASGS) by defining and maintaining a meshblock (most granular) layer that is used to define standard and non-standard boundaries.
- Produce experimental estimates, for feedback and analysis, either through modelling or standard production methodologies at least every second year at the most granular level of the classification.

There are also some low cost options which could be considered and have been used in the past by Australia:

- Label or description updates – this involves using contemporary language or terms to make emerging occupations more visible in a classification e.g. use of the term digital. The benefits of this approach is that it does not affect the structure of a classification, nor affect the use of the classification as an input e.g. where it is used to stratify a survey.
- Adding detail within existing categories e.g. in the case of an Industry classification, add new activities within categories annually or biannually and publish the same.

Many of these options would provide more regular access to more contemporary classification components than traditional approaches. The use of experimental estimates could inform decision making regarding the need for a structural review of the classification. These options also have the benefit of spreading the cost of maintaining the classification more evenly over time and assisting standards owners to build and maintain the capability to undertake this work on an ongoing basis. For shared classifications/standards (international, regional, bilateral) it would be possible for key stakeholders to contribute annually to the update of portions most relevant to their situation without needing to commit to a more fulsome structural review.