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Comments on the revision plans for ISIC and CPC

Statistisches Bundesamt, Germany

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Agenda item 6

Statistisches Bundesamt Deutschland
Federal Statistics Office Germany
Division IV A - Business Register, Coordination of Business Statistics, Classifications
Matthias Greulich
Phone: ++49 611 75 2280, Fax: ++49 611 75 3953,

E-Mail: matthias.greulich@destatis.de

Revision plans for ISIC and CPC

Statistical classifications can only fulfil their tasks if they represent the reality which should be observed, i.e. if they are up-to-date. Therefore an update or even a fundamental revision of classifications becomes necessary from time to time, taking into account technical, organizational or social changes in the real world. In principle such changes occur much faster for products than for activities.

On the other hand statistics aim at the production of time series. They are a basis for an analysis of developments as well as for forecasts. Changes in classifications may result in significant breaks in statistical time series, seriously complicating the analysis of statistical data.

Furthermore changes in classifications cause a considerable burden for statistical offices, respondents of statistical surveys and data users. Some information on the workload, caused by the implementation of the national version of ISIC Rev. 4, is given in document ESA/STAT/AC.124/19, provided for the Expert Group meeting in April 2007.

The German classification of economic activities based on ISIC Rev. 3.1 covered 1041 classification items on the lowest hierarchical level (subclasses). 313 of them passed 1:1 to subclasses of the new national activity classification, based on ISIC Rev. 4, 376 subclasses were merged with (parts of) others. The remaining 352 subclasses (one third) were split when passing to the new classification. But these subclasses concerned about 1.9 million (out of 3.5 million) statistical units contained in the national Business Register. These are much more than half of the statistical units in the Business Register. For 1 million of these units their correct new coding was manually checked, mainly by surveying the enterprises. And the remaining 900 000 units will follow. An enormous burden for all who were and are involved. More information can be found in the UN Classifications Newsletter N° 23.

ISIC Rev. 4 is a useful, good and (at the moment) up-to-date classification of all economic activities, which will help to produce internationally comparable statistical data. The Technical Subgroup as well as the Expert Group did an excellent job when developing this classification. Evaluating the burden and the improvements of the implementation of the national version of ISIC Rev. 4 some data users in Germany were a little bit disappointed, however. For example there are some issues for which we again did not find a solution.

This leads to the following thoughts concerning a future change of ISIC and CPC:

- We should clearly distinguish between updates and revisions.
- Updates of classifications are necessary from time to time in order to take changes in the reality into account. For products (CPC) an update would probably be desirable earlier than for activities (ISIC). This is already respected by the concept (rhythm of updates and revisions) developed by the Expert Group. Within such an update the current structure should be kept as much as possible, mainly focussing on further splits or aggregations of classification items on the lowest hierarchical level of ISIC and CPC. An exception should be the correction of mistakes (maybe the fact, that manufacture of printer cables is considered as manufacture of electronic components might be seen as a mistake soon).
- We can only justify a new fundamental revision if we can expect substantial improvements.
- To achieve such improvements we should in a first step systematically identify problems caused by (the implementation of) ISIC Rev. 4 / CPC Ver. 2 as well as long-standing open issues, e.g. how to classify several types of (the erection of) complete plants, bundled activities or bundled products. However some possible problems with the recently revised classifications will appear only after their implementation. Hence gaining of important input for a new revision will take some time.
- This research and the development of a list of issues for a future revision should be done in close cooperation between international and supranational stakeholders responsible for statistical classifications, giving countries the opportunity (and enough time) to make contributions. On UN level a Technical Subgroup has proven itself in the recent revision process and could be helpful to support the Expert Group also in the next revision process. For a minor update of the classifications it is not so clear that a Technical Subgroup is needed.
- The conceptual principles used in constructing the classifications could be given more attention for the next revision. This could help to better understand and explain the structure of the classifications. But if necessary also pragmatism should be displayed; classifications are just as good as the statistical data collected, compiled and published according to their breakdown are accepted by data users.