

NATIONS UNIES

COMMISSION ECONOMIQUE
POUR L'EUROPE

ОБЪЕДИНЕННЫЕ НАЦИИ

ЭКОНОМИЧЕСКАЯ КОМИССИЯ
ДЛЯ ЕВРОПЫ

UNITED NATIONS

ECONOMIC COMMISSION
FOR EUROPE

SEMINAIRE

СЕМИНАР

SEMINAR

STATISTICAL COMMISSION and
ECONOMIC COMMISSION FOR EUROPE

CONFERENCE OF EUROPEAN
STATISTICIANS



Distr.
GENERAL

CES/SEM.36/3
29 May 1997

Original: ENGLISH

Seminar on Statistical Nomenclatures
(28-29 April 1997, Geneva, Switzerland)

Report of the April 1997 Seminar on Statistical Nomenclatures

INTRODUCTION

1. The Seminar on Statistical Nomenclatures held on 28-29 April 1997 in Geneva was organized by the United Nations Economic Commission for Europe (UN/ECE) with the support of the Statistical Office of the Commission of the European Communities (Eurostat). It was attended by: Albania, Austria, Bosnia and Herzegovina, Canada, Croatia, Czech Republic, Denmark, Estonia, Finland, France, Germany, Hungary, Ireland, Italy, Latvia, Malta, Netherlands, Poland, Portugal, Romania, Russian Federation, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, The former Yugoslav Republic of Macedonia, Ukraine, and United Kingdom. The Commission of the European Communities was represented by Eurostat. The United Nations Statistical Division, ILO, WTO, the OECD, and the Interstate Statistical Committee of the Commonwealth of Independent States (CIS) were also represented. Algeria and Australia attended under Article 11 of the terms of reference of the ECE and Palestine attended as an observer.

2. The programme of the Seminar was carried out as outlined in the Information Notice No.2 (CES/SEM.36/2).

3. Mr. David Knight (United Kingdom) was elected Chairman of the Seminar.

4. The following substantive topics were discussed in a plenary session and four parallel working groups at the Seminar:

- (a) Registers and units;
- (b) Methodological development;
- (c) International framework of cooperation and assistance;
- (d) Impact of new classification systems.

5. The topics were discussed on the basis of two keynote addresses by the representative of Canada and representative of Eurostat, and 20 papers prepared by Albania, Austria, Bulgaria, France, Germany, Italy, Malta, Netherlands, Poland, Rumania, Sweden, the FYR of Macedonia, Ukraine, United Kingdom, and Eurostat. Additional written material was submitted by Croatia, Palestine, Slovenia, United Kingdom, ILO and the UNSD.

6. In view of the complex work in the field of classifications, the Seminar was regarded as a useful forum for discussion on how to deal with practical problems in the implementation of various international classifications (ISIC Rev.3, NACE Rev.1, PRODCOM, etc.) and for providing guidance for possible solutions relating to specific conceptual and practical problems. Methods for improving harmonisation of national nomenclatures with international standards were also discussed.

FUTURE WORK

7. The participants made a number of recommendations concerning future work:

(a) Issues to be brought to the attention of the Conference of the European Statisticians :

(i) general seminars are no longer necessary; it would be more useful to focus on specific areas which need attention such as:
exchange of experiences in implementation of various classifications and information on methodological questions (including the legal background);

(ii) the Joint ECE/Eurostat meeting on business registers should consider a seminar and training courses (to be organized either by the UN/ECE or by Eurostat's Training of European Statisticians Programme) on the use of a business register as a coordinated survey tool and definition and application of statistical units. This recommendation should be brought to the attention of the CES meeting on business registers planned to be convened in February 1998 in the programme element 3.14 - Business registers and administrative records in support of economic statistics;

(iii) the Conference should give consideration to the possibility of renaming programme element 2.4 of the Integrated presentation to reflect its broader scope, for example, "Economic, social and environmental classifications". The purpose would be to strengthen the coordination of the work of the concerned international organisations;

(b) Issues to be brought to the attention of other international organisations :

- (i) classification guidance, both general and specific, should be expanded by the relevant international organisations. Specific issues were borderline cases, stability rules and the use of value added in determining main activity;
- (ii) discussion and exchange of information in peer groups comprising national classifications experts was encouraged; a programme of technical assistance should be developed, focusing on specific problem areas and being organised on a mainly, but not exclusively, bilateral basis;
- (iii) an intersecretariat working group for consideration of methodological issues and recommendations be established and composed of representatives of international organisations (UNSD, Eurostat, OECD, ILO, IMF, WTO, etc.) and a few most prominent national experts;
- (iv) Eurostat's manual on maintenance and creation of business registers should be made generally available and when further developing the manual, Eurostat should take into account the issues raised in this seminar;
- (v) international organisations should collaborate to produce a newsletter on international classifications similar to the one for the SNA; Moreover, international organisations should identify and make known the weaknesses in current classification systems, indicating what plans exist, if any, to correct them either in future versions or before;
- (vi) consideration should be given to extending PRODCOM to Include other areas such as agriculture and services (while noting current Eurostat plans in relation to services);
- (vii) an inventory of available conversion keys/correlation tables should be drawn up and future work on such tables should be coordinated to avoid duplication; Furthermore, Italian models showing the correspondence between various classification systems should be evaluated with a view to establishing whether it could usefully be further developed and work should be undertaken to link land use and forestry classification systems.

**OTHER CONCLUSIONS REACHED BY THE SEMINAR IN ITS DISCUSSION OF THE SUBSTANTIVE
AGENDA ITEMS**

8. The main conclusions reached by the Seminar in its discussion of the substantive agenda items are presented in summary form in the Annex to this note.

Annex

Summary of the main conclusions reached by the participants during discussion on the substantive agenda items

I. Registers and units - Working Group 1

1. The participants reviewed business registers in the European Union, which has a well-advanced system based on EU regulations. The business registers regulation is supported by a manual; the first 10 chapters of which have been published, the rest is under development. The manual covers all the key elements of the creation and maintenance of a business register. The manual has developed consistent rules to deal with units while acknowledging the differences in national practice. While the manual tends to be theoretical it deals with coverage of specific sectors of the economy, access to data and data quality.
2. An electronic questionnaire relating to the development of business registers was presented. It collects information from EU member states on the legal basis of the business register, and the units and variables. It was felt that this questionnaire could have a wider application for other countries, either to use in the development of their own registers or as a more formal co-ordination tool to collect information.
3. Business registers are now created and maintained in most instances from administrative data sources and therefore, specific issues on quality, coverage and the presence of non-active units need to be dealt with by statistical offices. The participants noted that it is important if using administrative data to minimise the number of sources and establish priorities and consistent rules for dealing with these sources. It is also important to know the coverage of the business register, possibly using labour force survey data, and to be aware that administrative data can introduce changes in the coverage of the register.
4. Limited resources available to almost all offices mean that they must concentrate on profiling of larger businesses, but rely on administrative data to update the smaller units on the register. In this respect it is important to consider how best to classify all units consistently.
5. A further consideration is the need to exchange information, particularly on classifications, with the administrative systems. In addition, this area highlights one of the aspects of dealing with confidential business data.
6. The discussion on statistical units compared ISIC rev.3 and NACE rev.1 definitions. These are similar, but ISIC establishments are not as tightly defined as the NACE Local Kind of Activity Units.

7. The minimum requirements for business registers are Enterprise, Legal and Local Units. However, the Kind of Activity Unit (KAU) may be needed for statistical data collection. The work that statistical office does on profiling large businesses can define the KAU where required. The Local Unit is needed to allow for the production of regional accounts, but will not usually be the level at which the data are collected. While most Enterprises are defined in terms of a single Legal Unit, and one or more Local Units, there are more complex Enterprise Units which can be difficult to define. Of particular interest are those involving staffing companies and holding companies. Except for some specific cases no solutions are available, but the problems of defining statistical units for such businesses are widespread. The countries were looking for simple solutions that could be applied at low cost, and that recognise the different requirements for small and large businesses.

8. The group noted that international standards could not be applied directly to the national situation; it was nevertheless important to limit the additional detail used for the national system. Introducing a new classification requires co-ordination with the survey users and with the national accounts. Where the register used administrative data it was important to consider the impact of the classification change on that source.

9. Rules for the timing of classification updates and the priority of sources were needed, adapted to the national situations. Different treatment was needed when errors were found in the classification of individual units, but real changes should be made only once a year and be co-ordinated with the statistical surveys. Units would normally be classified on the basis of descriptions provided by businesses. It was important to establish methods which ensured consistent classification of units, both between sources and over time. In addition, the group discussed specific issues relating to defining and classifying units. These included charities and vertically integrated businesses such as bakeries.

10. It was noted that international guidelines for defining enterprises for central government were not available, and there was some discussion about the correct way to classify public sector units, the position of foreign public bodies operating within another country, and the more general issue of global enterprise groups. In practice few business registers hold enterprise group links. This limits the ability for countries to develop standards. It was noted that services and the financial sector statistical inquiries were often not conducted from the business register. It was important to develop the register, however, as a central frame for all surveys.

II. Methodological development - Working Group 2

11. Value added is considered as the best theoretical criterion when defining the main activity of a statistical unit. It is recommended by ISIC Rev.3 and NACE Rev.1 for all economic activities even if the way of measuring it may be different (e.g. market versus non-market production). However,

practical implementation of the value added concept proved to be difficult. Instead of the data on value added, which is often not available, other indicators such as turnover, remuneration data and employment have to be used. The Group recommended that these indicators should only be used as proxies in cases when data on value added is not available. It was noted that the use of different proxies may lead to different results.

12. When classifying a single unit, participants noted, one can make a thorough analysis of each particular case. However, when entire population of units is re-coded/re-classified it is necessary to apply rules which may not take into account the specific circumstances of a single unit. The problem of classifying new - emerging units was also discussed. The information about new unit is often limited or non existent making therefore precise coding very difficult. In such cases, it was suggested, coding of the unit could only be provisional and has to be verified once the data become available.

13. A number of examples of borderline cases were mentioned, such as horizontal and vertical integration. General rules concerning horizontal and vertical integration existed and should be followed. However, there are cases where the internationally recommended rules deviate from the general rules. In view of a number of practical difficulties in applying classification rules, the group suggested that a more specific rules be developed in addition to the general ones. It was further suggested that the weaknesses of economic classifications as identified in practical implementation be recorded and reported at international level in order to improve classification devices (explanatory notes, guidelines, etc.).

14. The Group noted that both transition and other countries have difficulties in following the stability rules. Switching between different activities during a year is a common occurrence in service activities sectors in all countries. In transition countries, additional difficulties are created because of emergence of a large number of new and usually small units who are not able to make a correct registration. It was recommended that the coding of these units could be done only after a long enough period of time.

15. The distinction was made from cases where the main activity of a unit changes gradually from one to another. In this case stability rules have to be considered with respect to the analytical use of statistical data. The general agreement was reached that changing the activity code of a unit should only be done when it has been confirmed that the main activity has really changed.

16. The explanatory notes to ISIC rev.3 and NACE Rev.1 are considered as insufficient when the Group looked at the relationship between the product and activity classifications. It was recommended that CPC and CPA should also be considered.

17. The types of classification problems that could be regarded as case law were discussed. The possibility of establishing procedures for discussion and decision at international level was raised. It was generally felt that there

are many problems involved in defining, specifying and transmitting case law problems to international fora. It was recommended that, perhaps, a case law approach is not advisable.

18. Finally, the need for a "help desk" was recognised. The hope was expressed that the newly installed UNSD "Classification Hotline" will serve that purpose.

III. International framework of cooperation and assistance - Working Group 3

19. The group noted that a stage has been reached where there is a good basic understanding of the new system of economic classifications (activities and products) and the weak points have been identified. The participants identified specific areas which need attention (i) exchange of experience; (ii) exchange of information on implementation methodology (including the legal background), i.e. how to decide on what the principal activity is in cases where value added is not available.

20. The technical assistance should be approached in an integrated manner. In particular, the group felt that the following should be considered together: classifications, units, registers, employment, legal issues.

21. Irrespective of the different methods of technical assistance, a number of criteria should be observed: a) the work should be coordinated in terms of timing and content; b) the content should be focused and clearly delimited; c) the work should have specific goals.

22. The UNSD and the CES integrated presentation were identified as relevant present infrastructure that provides an efficient framework for coordination of technical assistance. The Expert group which reports through the UNSD was also identified as an important focal point, for the dissemination of information and raising the profile of classification issues. A close look should be taken at the ways and means by which the International Association of Official Statisticians and the International Classification Society can assist. Finally, the group recommended that a means be found to collect and collate information on bilateral national arrangements for technical assistance to minimise duplication of effort.

23. The participants identified a further issue, the needs of national classification experts to increase the awareness of classification activities parallel to their own. There is a strong need to establish contacts points within and between countries. There was concern about the historical walls that were present between different groups of countries and organisations (e.g. walls created by geographical groups, PHARE/TACIS countries, ...). It was noted that different regional groups were making rulings and recommendations within their own regions. The working groups recommended that the UN, through the Expert Group on International and Social Classifications,

discuss the ways and means for the convergence of the recommendations made by these different regional groups.

24. The group further suggested that regions and national institutes follow the example of UNSD in setting up a site on World Wide Web for the easy dissemination of the latest versions and updates of the classifications. This would also rectify the present difficulty in maintaining and updating information and ancillary information for the users. This should be done in a coordinated and linked way.

25. The need for more information was widely recognised, and it was agreed that the way forward was the establishment of an informal network. It was stressed that such a network: (i) would complement the efforts of the international bodies; (ii) should not be too ambitious, and should remain informal; (iii) would need to communicate in at least two to three languages. Specifically the network might identify issues which might be clarified and be the object for later official publication. It was noted that there were some informal groups established in academic contexts, but that these did not meet the needs of the practitioner.

26. The group recommended the establishment of an informal newsletter, directed to the classification practitioner. The information within the newsletter should include: (i) informal information on future events, schedules; (ii) informal information on current decisions; (iii) informal information on available publications, other sources; (iv) specific questions inviting answers for publication in subsequent issues (as done in some newspapers); (v) other generally useful information. As for the medium, it was stressed that a paper newsletter was the most common denominator. In the longer term the bulletin board on Internet would become the more important medium, and indeed could be use in parallel with a paper publication. Possible help in the physical production of a newsletter was offered by the Science Research Institute for Statistics of Ukraine.

27. It was proposed that a small editorial team of representatives from Ukraine, France and Eurostat would produce a first issue of the informal newsletter, in English, French and Russian. The main purpose of this first issue would be to identify the community of national experts perhaps through a small questionnaire, also to find out which classifications should be covered. The informal newsletter would in the first instance be distributed on paper.

IV Impact of new classification systems - Working Group 4

28. Radical socio-economic changes taking place in transition economies make the introduction of new classification systems both difficult and urgent. Difficult because of rapid structural changes in the economy accompanied by the appearance of a great number of new mainly small and medium-sized enterprises, and urgent because economic agents and decision makers need detailed information about changes in various sectors and branches of the economy.

29. Work on the introduction of new classification systems cut across several classifications at the same time, first and foremost NACE (activity classification), PRODCOM (commodity classification) and CPA (the tool providing a link between the two).

30. The Group agreed that there was a need to extend the current version of PRODCOM to cover such areas as agriculture, services, transport, energy and construction. Having a common classification of products is important for input/output tables and other economic statistics. National work on developing detailed CPA-based product lists should be coordinated internationally by Eurostat or any other international body. It was suggested that FAO be involved in the work on agricultural product list. The Group was informed that Eurostat is planning to develop a PRODCOM list for services. There is a need to link land use and forestry classifications.

31. It was noted that there is no link between CPA and CC (construction classification of Eurostat). However it was thought that this did not represent any particular problem for compiling economic statistics.

32. A clarification was asked about the existence of a conversion key between the ISIC/Rev.2-based commodity list, in which the United Nations Statistical Division in New York collects industrial statistics, and PRODCOM in which many European countries keep their commodity data. A coherent system of classifications should normally allow linking national and international classifications. Attention was drawn to the existing two most important conversion keys published by UNSO in Statistical papers, Series M, No.77 and by the European Union in Official Journal of the EU, L 293.

33. While shifting to a new classification system, priority in some transition countries is given to compiling and publishing current statistics, rather than reconstructing old data according to the new classification. Rebuilding old time series according to the new classification can normally be done at a rather high level of aggregation and may be limited to selected sectors, like for example industry. The implementation of a new classification proved to be a difficult exercise in many traditional market economies. Since going back to all businesses in order to group them according to the new classification was not feasible for cost reasons, only big enterprises were covered in the first instance, and small and medium-sized businesses were reclassified gradually afterwards.

34. Classification of small enterprises (which may be dormant or exercising several different activities) is a problem in all countries. A small-scale annual survey can be carried out for small enterprises to find out if they are still active and, if necessary, to introduce corrections with regard to their classification by main activity. Businesses can be asked not only about the activity they think they belong to, but also about products they produce. Administrative sources, particularly tax registers, can also be quite helpful where they exist and can be accessed by statisticians.

35. An introduction of a new classification system is normally preceded by an information campaign (seminars, briefings, etc.) aimed at familiarising producers and users of statistics with the new system.

36. Many national and international bodies are working on conversion keys/tables between and integration of various classifications. The Group strongly recommended that any future work on conversion tables, etc. be coordinated and results shared by countries and international organisations.

37. The Group took note of the work carried out in Italy on developing a correspondence framework ("Mega-file") for integrating all main international activity and product classifications at the most detailed level possible. This framework was regarded as a useful tool for use, harmonisation and further development of various classifications. Countries were invited to comment on the results of this work and possibly take it further.

38. Generally, no special legislation is needed at national level for the introduction of a new classification. National law on statistics would normally imply that the introduction of a new classification is in the competence of the Statistical Office. At the level of the European Union it proved to be necessary to adopt special legislation binding Member States to implement new classifications in order to ensure cross-country comparability of data.

39. Statistical classifications are primarily developed for statistics, but they can also be used to some extent for administrative purposes. It was stressed that the two uses should be kept separately from each other. The administrative use should in no way have any influence on statistics.

40. A transition period is needed for moving to a new classification. It is preferable to have a period of 1-3 years during which both the old and the new classifications could be used. However, the length of transition period would normally depend on national circumstances, the existing statistical system and international obligations. Some parts of the national statistical system can be converted to a new classification quicker than other. The experience of many countries shows that a full conversion of the national statistical system to a new classification system may take 3-6 years.

41. Value added was mentioned as the best theoretical criterion for classifying enterprises by main activity. However, data on value added are rarely available at the necessary level of detail. Substitutes, like turnover or remuneration data can be used bearing in mind the necessity of complying with certain rules.