

# Questionnaire on ISIC Rev. 4 Revision Issues

## What is the purpose of this questionnaire?

This questionnaire was prepared by the Technical Sub-Group on International Standard Industrial Classification of economic activities (TSG-ISIC) to assess the need for change to the ISIC Revision 4 (ISIC Rev.4) classification through a global user consultation with experts from countries and relevant international/regional organizations. ISIC, or a national/regional classification that is comparable with ISIC Rev. 4, is used in many countries for a variety of statistical and administrative purposes. The changes in the economy since ISIC Rev. 4 was introduced more than a decade ago have led to the need to review its relevance. Classifications need to remain relevant and responsive to contemporary reality whilst also maintaining the ability to link data over time. To ensure that the classification remains a useful tool for compiling statistics at the national level and for international comparison, inputs from a variety of users of the classification into the revision process are necessary.

This questionnaire is a first step in the assessment. During its last meeting in New York, 18-20 June 2019, the TSG-ISIC discussed an initial list of issues that were deemed important for consideration when assessing the need for a revision of ISIC. This list of issues is reflected in this questionnaire but should not be viewed as an exhaustive list. The questions in this questionnaire are developed in order to facilitate the assessment of ISIC Rev.4, but they should not preclude other categories of problems or proposals. If other issues are encountered with ISIC Rev. 4, please indicate them in the questionnaire. Problems may cut across these categories and can be listed in any of them or separately.

The overall goal of this process is for the TSG-ISIC to develop a recommendation for a possible ISIC revision to the Expert Group on International Statistical Classifications in November 2019.

## Who should fill out this questionnaire?

The main target audience for this questionnaire is experts in national statistical offices or other relevant national, regional or international institutions who are tasked with assigning ISIC or ISIC-comparable codes to economic activities. The responses to this questionnaire will serve as the basis for the discussions on the purpose and scope of the ISIC and to assess the classification system needs for revision. Your input is therefore extremely important.

Ideally, this questionnaire should be discussed with a wide range of users of the classification in your office and/or in your country, including analysts, classification experts and producers of statistics using ISIC or a comparable classification. Each national statistical office or institution should return one response that is the result of internal coordination.

## What should you do with this questionnaire?

Your response should address, wherever applicable, the following:

- views on the concepts that underpin ISIC and their continued applicability;
- additional issues, gray areas or blurred boundaries that you have encountered in classifying activities;
- listings of new activities that are not well-defined in the current version of ISIC;

- listings of activities in the current version of ISIC that have lost relevance for the modern global economy

While the focus of the questionnaire is on ISIC Rev. 4, any additional comments that you might have regarding identified issues with the CPC or other product classifications will also be welcomed.

### **When is this questionnaire due?**

This questionnaire is available in two formats: an online form (available at <https://forms.gle/fpnBx5HWey9PsB826>) (preferred option) or a stand-alone Microsoft Word document. Your response to this questionnaire should be submitted online or sent to **business\_stat@un.org** by **Friday 4 October 2019**. You can choose either one of the two formats to send your response.

### **Overall structure and underlying concepts of ISIC**

As specialization on aspects of production increasingly takes place in a growing global business environment, national statistical offices face a challenge in qualifying and quantifying these new production arrangements. What was once done within the confines of single companies in domestic economies is now characterized by international flows and even definitional issues with goods and services. This creates a situation where international industry and product classifications require evaluation to determine if the standards used to report data internationally are up to the task of identifying new trends and conceptual and structural shifts in economies.

ISIC is a classification of economic activities, which are grouped together into categories from lower to higher levels of detail. Different criteria are used to group activities, such as the inputs of goods, services and factors of production; the process and technology of production; the characteristics of outputs; and the use to which the outputs are put (ISIC Rev. 4, para 7). Currently, activities are defined by lower level units such as kind-of-activity units or establishments (local kind-of-activity units), but there is an increasing country practice in using ISIC to classify higher level units such as enterprises.

ISIC has a general applicability in classifying economic activities at different levels of statistical units, including classifying activities of production units at single locations in order to describe a country's domestic economy. As such, there may be an expectation of relative homogeneity of units within ISIC classes. ISIC classes are based on a variety of concepts – inputs, outputs, or production processes. In some cases, a fully automated factory and a garage doing hand transformation of transport vehicles are in the same class because the output is the same. In other cases, two establishments with very similar processes are in different classes because their outputs are considered different in ISIC. The point of this is that while ISIC has an inherent classification logic and practice, it is a standard for which choices have been made in the past resulting in today's classification of data. This assessment is an opportunity to revisit some of these choices and consider how ISIC might need to change with the evolution of the structure of economic activities.

There is a relationship between economic activities in ISIC and products in the CPC. The former lead to the production of the latter. The definition of products in existing or revised product classifications, such as the Harmonized System (HS) and CPC, are used to define the boundaries of some activity categories. Currently, product detail of the CPC is used to provide more detail to the activities or industries described in ISIC and thus the combination of ISIC and CPC defines the classification of the statistical unit in more

detail. As a result, not all detail of the classification of a statistical unit has to be included in the description of the ISIC classification.

### Your contact information:

<b>Country:</b> Click or tap here to enter text.	
<b>Institution:</b> Click or tap here to enter text.	
<b>Contact person:</b> Click or tap here to enter text.	
<b>Phone:</b> Click or tap here to enter text.	<b>E-mail:</b> Click or tap here to enter text.

*Please elaborate your answers as much as possible in the textbox below each question.*

#### Specific issues Identified by the TSG-ISIC in June 2019

1. Internet retail sales and e-Commerce sales - ISIC classes in retail trade are defined on the basis of store retail and non-store retail. This class distinction creates difficulties measuring Internet sales and e-Commerce as a growing number of retailers have both a physical and online presence. There are substantial sales using the web in both store and non-store categories of ISIC.

1.1 Should store and non-store retail activities be merged in a single industry?

*Please elaborate below.*

Click or tap here to enter text.
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1.2 How is your country addressing this issue?

*Please elaborate below.*

Click or tap here to enter text.
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1.3 Do you have other proposals for ISIC to address this issue?

*Please elaborate below.*

Click or tap here to enter text.
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2. The increasing use of Internet-enabled technologies is rapidly changing the business practices of several industries. For example, the traditional local travel agencies are declining, and Internet based reservation services are increasingly being used by both businesses and households. New service transaction intermediaries bring together producers and consumers in new ways. Intermediaries have created the ability, for example, for a local traveler to arrange a ride with a local driver instead of a traditional local taxi service provider. Intermediaries can also bring together owners of real estate with customers looking for short-term accommodation. In 2017, the Expert Group adopted guidance for classification of these intermediaries (ESA/STAT/AC.340/10 - 15 August 2017 available at <https://unstats.un.org/unsd/classifications/expertgroup/egm2017/ac340-10.PDF>).

2.1 Based on this guidance, is there a need for new categories in ISIC for more intermediaries in service activities?

*Please elaborate below.*

Click or tap here to enter text.

2.2 Are the existing categories still relevant?

*Please elaborate below.*

Click or tap here to enter text.

2.3 How would you address this issue in ISIC?

*Please elaborate below.*

Click or tap here to enter text.

3. The distribution of both audio and video content has rapidly changed because of technological advances. ISIC Rev.4 Section J, Information and communication, currently includes distinctions for publishing activities (Division 58), motion picture, video and television programme production, sound recording and music publishing activities (Division 59), programming and broadcasting activities (Division 60), and telecommunications activities (Division 61). However, much of the distribution activity is now taking place over a mixture of wired and wireless networks, and internet enabled on-demand services (streaming) are not easily classified to a single location in ISIC.

3.1 Does the current structure of Section J appropriately classify the new distribution activities of both audio and video content, or should activities such as audio and video content

distribution by classified regardless of the technology used (e.g., wired, wireless, broadcast, Internet, etc.)?

*Please elaborate below.*

Click or tap here to enter text.

4. Several countries have problems with the ability to implement the concepts of wholesale trade and retail trade in ISIC. In many instances, businesses actually perform a mixture of sales to both business and household customers. While surveys may attempt to separate class level data with additional inquiries for class of customer, concerns remain with the quality of available class of customer data when attempting to assign a business to wholesale trade or retail trade.

4.1 Should ISIC continue to keep separate divisions for wholesale trade and retail trade?

*Please elaborate your answer below.*

Click or tap here to enter text.

4.2 If separate divisions are maintained, should type of customer remain the primary distinction between wholesale and retail trade divisions? Or should other potential distinctions, such as sales tax, type of sale outlet, or other criteria be used to separate wholesale from retail trade?

*Please elaborate below.*

Click or tap here to enter text.

4.3 Division 45 of ISIC Rev.4 (wholesale and retail trade and repair of motor vehicles and motorcycles) is treated separately within Section G. Should the activities in Division 45 be classified consistently with other activities and therefore split between existing divisions for wholesale, retail, and repair, or should they remain together?

*Please elaborate below.*

Click or tap here to enter text.

5. Outsourcing of manufacturing transformation services has remained an implementation problem for users of ISIC. Many countries have noted that the factoryless goods producers (FGPs) who outsource all manufacturing transformation activities to non-affiliated enterprises, either abroad or in the resident economy are hard to identify. Some countries have expressed the opinion that

the FGP activity is not significant while other countries have noted that it is both important and growing in their economies. FGPs are characterized in ISIC as units that perform all of the necessary steps that result in the production of goods but outsource the actual transformation or manufacturing activities to unaffiliated entities domestically or unaffiliated entities outside of the domestic economy. After significant discussion, the TSG-ISIC recommended no changes in the current guidance in ISIC Rev. 4 based on ownership of input materials (see paragraphs 136-145 of ISIC Rev.4) because no firm recommendations for improvement are available. However, the text in the ISIC Rev. 4 manual could be further clarified that the FGP activity refers only to a production arrangement between non-affiliated entities.

5.1 Do you agree with the current treatment of FGPs in ISIC Rev. 4 (as described in paragraphs 142-145 of ISIC Rev.4 for non-affiliates)?

*Please elaborate below .*

Click or tap here to enter text.

6. Technology and the application of new technology raises a number of questions for ISIC. Is the application of new technology a new activity or a new way of performing an existing activity? For example, the use of technology in financial transactions, sometimes referred to as Fintech, has expanded the availability of services to much broader segments of the population than they previously had access to physical banks or other service providers. The transfer of money between parties, even in different countries, has been possible for many years using wire transfer services. Now, the same transfer of money can be performed by money transfer apps on a smart phone, greatly expanding the market. Similarly, in the past, loans were provided by banks. The application of technology has seen the rise of alternative lending facilities such as non-bank lending and even arranging peer to peer lending. Other examples of new technology include 3D printing, digital music sharing, sharing of Internet TV services, etc.

6.1 Do you have specific recommendations for changes in ISIC Rev.4 on the activities of money transfer and lending in the face of technological advances that expand potential markets?

*Please elaborate below.*

Click or tap here to enter text.

6.2 In the cases of 3D printing, digital music sharing, and sharing of Internet TV services, do you have specific recommendations on how to classify these activities in ISIC?

*Please elaborate below.*

Click or tap here to enter text.

6.3 Besides what you may have discussed in response to question 2, do you have any other examples or recommendations on the application of technology in existing activities in general?

*Please elaborate below.*

Click or tap here to enter text.

7. There are some ISIC codes that have been deemed to be overloaded, such that it does not serve the needs of countries in either collection or reporting data. An example of these is “Mining of Other Non-ferrous Metal Ores (0729)”, which includes mining of gold, mining of bauxite, and mining of manganese.

7.1 Do you have problems with such codes (0729) or would further detailed breakdown be more useful to your needs?

*Please elaborate below.*

Click or tap here to enter text.

7.2 Do you have other examples on the need for more breakdowns in ISIC? Please share your suggestions, including the existing appropriate ISIC code and description as well as the rationale for more detailed categories.

*Please elaborate below.*

Click or tap here to enter text.

### **Additional Issues**

8. Regarding the revision process of ISIC,

8.1 Should we continue with irregular ISIC revisions or should there be a regular update schedule (e.g., every 5 – 10 years)?

*Please elaborate below.*

Click or tap here to enter text.

8.2 Should the revision of ISIC be synchronized with the revision process for the System of National Accounts and related standards for economic statistics?

*Please elaborate below.*

Click or tap here to enter text.

8.3 Do you have any specific suggestions on how to maintain the relevance of ISIC and make changes outside a regular revision process? (Examples of suggestions are: create an alphabetical index of ISIC, create a central online registry of case laws and rulings, create correspondences, etc.)

*Please elaborate below.*

Click or tap here to enter text.

9. Please add any difficulties that you have had with the structure or relevance of ISIC Rev. 4 in practice. Include cases where a new activity is not clearly classified as well as cases where the importance of existing classes has grown or declined significantly.

*Please elaborate below.*

Click or tap here to enter text.

10. Do you have any comment on the following:

10.1 The applicability of the ISIC concepts, and its main principles and the definitions of higher-level categories of the ISIC structure, i.e. Sections and Divisions.

*Please elaborate below.*

Click or tap here to enter text.

10.2 Gray areas (for example, activities based on crypto assets, marketplace, digital economy, cloud technology, 3D printing, drones, fintech) and blurred boundaries between classes (for example, traditional TV broadcasting vs live streaming)

*Please elaborate below.*

Click or tap here to enter text.

10.3 Any problems not already mentioned in previous questions that you would like to see addressed when developing a recommendation for ISIC revision.

*Please elaborate below.*

Click or tap here to enter text.

#### **Application of ISIC or Comparable Industry Classification**

11. In your country's statistical programmes, at what level(s) of statistical unit do you apply ISIC or a comparable industry classification (establishment, kind-of-activity unit, enterprise, enterprise group, etc.)?

*Please elaborate below.*

Click or tap here to enter text.

12. Of the existing four levels in the structure of ISIC (Section, Division, Group and Class), which level(s) do you use most frequently in your surveys/statistical programmes, publications or data sharing with international partners?

*Please elaborate below.*

Click or tap here to enter text.

**Thank you for the time and effort you put into your response.  
Your input is important for keeping ISIC an up-to-date international standard for  
economic activities.**