



SAARCSTAT Workshop on Classification and System of National Accounts

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WORKING PAPER ON INTERNATIONAL SYSTEM OF CLASSIFICATIONS

1. Introduction:

1.1 Statistical Classifications play an important role on various counts. Comparable estimates of Statistical Indicators are the essence of evidence based policy advocacy of any region and SAARC is no exception. This calls for development and dissemination of regional database of comparable statistics. Various Statistical Standards have been developed by various expert international agencies over more than last two centuries. The oldest could be described as the International Classification of Disease.

1.2 At international level, a number of organizations such as, UNSD, WCO, ILO, WHO, FAO, and UNESCO have taken initiatives to develop framework for various classifications falling under their domain of work. A list of major classifications is:

- International Standard Industrial Classification (ISIC) by UNSD
- Central Product Classification (CPC) by UNSD
- Classification by Broad Economic Categories (BEC) by UNSD
- International Classification of Activities of Time Use Statistics (ICATUS) by UNSD
- International Classification of Disease (ICD) by WHO
- International Standard Classification of Occupation (ISCO) by ILO
- World Soil Classification by FAO
- Standard International Trade Classification by UNSD
- Brussels Tariff Nomenclature (BTN) by Customs Cooperation Council
- Harmonised System Commodity Description and Coding System (HS) by WCO
- International Standard Classification of Education (ISCED) by UNESCO

Revision of Classification is a continuous process. Among the above mentioned classifications, UNSD has taken steps to revise ISIC and CPC and the revised version namely, ISIC 4 and CPC 2 would be brought out in 2007. Similarly, WCO (World

Customs Organisation) will also bring out the next revised version of HS Classification in 2007.

1.3 The SAARCSTAT in its First meeting held at Kolkata during May 26-27, 2005 decided to bring out *inter_alia* SAARCSTAT Classification. Moreover, SAARC has developed a number of indicators of SAARC Social Charter. All these call for development and harmonization of Statistical Classifications in the region. The most important is possibly to develop a framework of harmonization of Trade Classification which is a strong instrument for Trade negotiations among SAARC Member States.

1.4 There are number of socio-economic Classifications for which SAARCSTAT may start the dialogue and develop these over forthcoming years. Priorities may be assigned to these items. The subject of classification is specialized in nature and need considerable time and energy for their proper harmonization. Following is a suggested priority list for consideration:-

- Trade Classification
- Industrial Activity Classification
- Morbidity and Mortality Classification
- Occupational Classification
- Commodity Classification

2 Trade Classification:

2.1 It is well known that significant work for development of Trade Classification took place only after development of a Minimum List of Commodities for International Trade Statistics by League of Nations in **1938**. This was essentially based on the draft Customs Nomenclature of 1937. In 1950 the United Nations drew up a scientific Trade classification namely, **Standard International Trade Classification (SITC)**. It follows a 1+1+1+2 system. This used to be followed by many countries for Statistical reporting.

2.2 On the other hand, **Brussels Tariff Nomenclature –1955** (BTN –later renamed as CCCN) developed by Customs Cooperation Council used to be followed for Tariff purpose. The need for harmonization of Trade and Tariff Classifications was felt insistently and after development of Harmonised System Commodity Description and Coding System (also referred to as the '**Harmonised System**' (HS)) by the Customs Cooperation Council in Brussels, such harmonization could be achieved. The HS had 21 sections and each section is divided into several chapters and the total number of chapters is 99 of which two are reserved for use by the contracting countries. It uses 2+2+2 system.

2.3 The UN Statistical Commission in its meeting of 1999 confirmed its recognition of SITC as an analytical tool. Thus in its fourth revision (SITC rev 4), all goods classified in HS except for monetary gold, gold coin and currency coin, were covered in SITC-rev4. Moreover, basic headings of SITC (except for 911.0 and 931.0) were defined in terms of HS07 subheadings.

2.4 HS has undergone several revisions in the meanwhile. By July 2005, the original HS was amended by World Customs Organisation (WCO) four times. The fourth amended edition of the HS will be effective from January 2007. This will have 5052 subheadings. The **main issues** are therefore:

- What should be reporting system for SAARC Statistical Yearbook ?
- At what level trade classifications of SAARC Member States need to be harmonized ?.
- How to go about for attainment of harmonization ?.
- The need for capacity building on classification for SAARC Member States may be deliberated upon.

3 Industrial Activity Classification:

3.1 At International level, the UNSD took the initiative in as early as 1948 when the first version of **ISIC (International Standard Industrial Classification of All Economic Activities)** was adopted. ISIC has been used extensively in classifying data according to the kind of economic activity in the fields of economic statistics, population, production, national income and others. Many countries or Statistical groups did not however follow the structure of ISIC for their national / regional classification. However with passage of time, more emphasis was given to attain harmonization through development of Activity Classification based on ISIC framework.

3.2 At present the work of revision 4 of ISIC is in progress. It is likely to be released in 2007. Many countries including regional statistical unions/groups have taken advance action for revision of their own classification based on ISIC 4 . It is thus necessary that SAARCSTAT may deliberate on the following items::

- Will there be SAARCSTAT classification of Economic Activities ? If agreed, the Member States may like to consider setting up an Expert Group ?.
- Should the Industrial Activity Classifications of various Member States be harmonized keeping each country practices unaltered ?
- What should be the level of harmonization and regional reporting system ?
- The need for capacity building in this aspect may be deliberated upon.

4 Morbidity and Mortality Classification:

4.1 The need for development of a mortality classification was conceived by Francois Bossier de Lacroix (1706-1777) in his paper *Nosologia Methodic*. The present structure of **International Classification of Disease (ICD)** was conceived by William Farr in 1855. However, it is only due to the initiative of WHO when the First World Health Assembly held in 1948 and endorsed the Sixth Decennial Revision, the acceptability and importance of ICD received momentum. This marked the beginning of a *new era in international vital and health statistics*

4.2 The present ICD namely, ICD-10 was introduced in 1993. It is 4-digit alphanumeric classification with first digit being an alphabet. Although ICD-10 is now in

vogue in the SAARC region, ICD-10 could not be implemented in its full form due to administrative and technical problems. The Civil Registration System could not implement ICD-10 in its totality. In the meanwhile ESCAP gave a lot of importance on improvement of **disability statistics** and provided with a new classification on disability statistics. The SAARCSTAT may deliberate on the following issues:

- Development of a framework for SAARC regional reporting of morbidity and mortality
- Whether SAARCSTAT would develop an alternative classification of Disease for the SAARC region keeping linkages with ICD-10 through setting up a specialized group.

5 Classification of Occupation

5.1 Classification of Occupation is a key for understanding labour market of any society. At international level ILO has developed **International Standard Classification of Occupation (ISCO)**. The present classification provides single digit Major Groups as below:

- Major group 1: Legislature, senior officials and managers
- Major group 2: Professionals
- Major group 3: Technicians and associate professionals
- Major group 4: Clerks
- Major group 5: Service workers and shop and market sales workers
- Major group 6: Skilled agricultural and fishery workers
- Major group 7: Craft and related trade workers
- Major group 8: Plant and machine workers
- Major group 9: Elementary Occupations
- Major group 0: Armed forces

Each Major group is divided into number of double digit Sub-major groups (28) and then into 3-digit Minor groups (116). There are 390 Unit groups.

Although many countries follow ILO classification as a framework for national classification of occupation, the following issues may be deliberated upon::

- Whether the ISCO adequately addresses the nature of labour market of the SAARC Member States especially
 - (i) The employment in *Informal sector* or *Informal employment* in the formal sector; and
 - (ii) Unpaid work carried out, mostly, by women in the SAARC region
- What should be regional reporting mechanism ?
- How to go about harmonization of Classification of Occupation ?

6 Commodity Classification

6.1 The UNSD developed **Central Product Classification (CPC)** as a multipurpose classification covering all goods and services (the HS and SITC classify goods only). It

has been designed to bring together, into a single framework, products (commodities) that can be the object of domestic or international transactions, or that can be entered into stocks. It also includes non-produced assets such as land, and assets arising from legal contracts. CPC does not however include comprehensive list of all assets. The CPC follows a 5-digit structure namely, 1+1+1+1+1 consists of sections, divisions, groups, classes and subclasses.

6.2 The CPC is being revised by the UNSD and the revised version namely, CPC ver 2 is likely to be introduced in 2007. The CPC ver 2 allows further subdivisions beyond 5-digit in order to include country / region practices. The country practices within SAARC are not uniform in terms of adaptability of product classification. It may therefore be open for discussions whether, SAARC Member States

- Would like to have an expanded version of CPC ver. 2 keeping in view the basic framework of CPC ver2 through setting up an expert group; **Or.**
- Prescribe a list of products for regional reporting for data dissemination and comparison
