

## **Changes to Industrial Classifications (Operation 2007)**

- **some observations based on UK experience**

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## **Introduction**

This brief note summarises the comments received so far (end August 2002) under the consultation that has taken place on Operation 2007 in the United Kingdom. It is a partial report as the consultation period runs until end September and a number of organisations have still to respond. It is also an informal note. The formal submissions will come later through National Statistics channels. It may, however, be of interest to members of the Group to see what issues have arisen in the UK. If further information becomes available, this will be presented the meeting.

## **Organisation of Operation 2007 in the UK**

In the UK the Industrial and Classifications Branch (ICB) within the Office for National Statistics (ONS) is in the lead. As well as direct contact across and outside Government, the ICB has been operating through a series of co-ordinators. The ICB has allocated to each co-ordinator a number of Standard Industrial Classifications (SICs). The co-ordinators then work with policy colleagues and relevant outside organisations to seek bids for change (or no change) in the classifications in his or her area. For the Service Sector there are 21 members of staff spread across 8 Government departments. There is, in addition, a Steering Group, chaired by the Department of Trade and Industry (DTI), that looks at more general issues and will help to advise on which proposals will go forward to Eurostat.

Each co-ordinator is free to conduct his or her consultation in the way best suited to individual circumstances. For example, in the DTI, policy colleagues have already formed a Business Services Sector Expert Group. This consists of a group of policy people and members of Trade Associations representing industries mainly classified to SIC 74. The group meets regularly to discuss issues of concern to them and to the department. It has provided a natural channel through which to conduct enquiries and has provided a list of useful contacts. Other departments have similar links to outside organisations that co-ordinators have used.

To help outside organisations (and other co-ordinators) with the consultation process, Nick Rudoie from DTI produced a very useful website which summarises the whole process. For information a link to it is given below. This has been very well received.

<http://www.taforum.org/showarticle.pl?id=166&n=&toparticle=166>

The exercise has placed a considerable burden of work on each co-ordinator, particularly where the convergence scenario implies complex changes. The UK regards it as essential to consult industry in order to achieve a classification which will have credibility with users but it is having difficulty in carrying out as much consultation as it would like in the limited time available. The UK would be interested to learn how other countries are coping within existing resources. Some of the reactions and emerging findings are set out below.

## Some reactions to Operation 2007 as at end August 2002

The following sets out comments that have been received or indications that a comment may be forthcoming. There is still a lot of work going on which is not reported here and will be reported through the ONS in its official submission. For example the treatment of SIC 72 (Computer and Related Activities) is still under discussion.

<b>SIC</b>	<b>Description</b>
<b>50</b>	<b>Sale, Maintenance and Repair of Motor Vehicles and Motorcycles; Retail Sale of Automotive Fuel</b>

There is a preference to keep the motor trades particularly 50.1 to 50.4 together, which would mean not moving the repair element into the NAICS-like repair category proposed. The motor trades were only brought together in SIC(92), in order to reflect the reality of the way the industry is organised, and no good reason (save convergence) can be seen for separating them again

<b>64.1</b>	<b>Post and courier activities</b>
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Policy colleagues have been contacted and through them a number of outside organisations including Postcomm (the UK regulatory body) and Consignia (formerly the Post Office). Postcomm has made the following comments.

“There are significant regulatory changes being implemented within the UK postal market. Postcomm has this year put forward key decisions to introduce competition within the postal market over the next 4 years. This will allow operators to deliver a variety of services other than courier services (the current SIC 64.12). Consequently, it will also be the case that the classification of ‘National post activities’ may over time prove less reflective of the players within the UK postal market. Finally, a key activity that is distinct from the provision of mail services that has not been separated to date by the codes, is the retail arm of operators that includes services provided by a network of post offices.

In this regard, the following modifications to the SIC codes may prove instructive. More detailed information would not only be of particular use to all market players but also unlikely to be burdensome to collect, if grouped in the following manner.

- 64.1 Postal Activities
  - 64.11 Letter Mail activities
  - 64.12 Parcel activities
  - 64.13 Courier and Express activities
  - 64.14 Retail network activities

These proposals may be modified in the light of comments from Consignia

## 65, 66 & 67 SECTION J FINANCIAL INTERMEDIATION

British Bankers Association (BBA), International Financial Services London (IFSL), Association of British Insurers (ABI), Bank of England (BoE) and the Financial Services Association (FSA) have been approached.

The ABI are content with the codes as they are at the present time. The FSA has no strong views on the available breakdowns.

IFSL have suggested that a better title for SIC 65 would be “Banking and other financial services”. They would also like a clearer identification of Securities Dealing. At present securities dealing is divided between 65.23 Security dealing on own account and 67.12/2 Security broking (and related activities). They suggest that these two should be brought together and distinguished from Fund Management.

The BBA and the BoE are expected to comment.

## 70 REAL ESTATE ACTIVITIES

The National Association of Estate Agents has been contacted. Their main interest was in SIC 70.31 (Real estate agencies) and they were content with the existing classification. Development and selling of real estate by people who provide funding but do not get involved in the physical construction process themselves is in 'real estate' in SIC but would be in construction in the scenario. However in reality they are clients of the construction industry, rather than members of the industry themselves, and should be treated as such. Practically it would be difficult to define requirements to avoid the double reporting of such projects by both developer and main contractor.

### 74.1 **Legal, accounting, book-keeping and auditing activities; tax consultancy; market research and public opinion polling; business and management consultancy; holdings**

A general comment from the organisations classified to SIC 74.1 was that there were too many industries packed into it. For example, legal activities with around 1% of GVA only had a 4 digit SIC code. (SIC 74.11). On the other hand, of all the other industries **at 3-digit level** within SIC 74 only SIC 74.2 (architecture and engineering activities etc) had a higher GVA.

### 74.11 **Legal activities**

The Law Society, General Council of the Bar and the Lord Chancellor's Department have been contacted. They are presently working on proposals to define better the activities of solicitors and barristers

**74.12 Accounting, book-keeping and auditing activities; tax consultancy**

The Institute of Chartered Accountants and policy colleagues have been contacted. Proposals expected early in September

**74.13 Market research and public opinion polling**

The Market Research Society (MRS) and MORI International were approached for their views. Of all organisations contacted they have been the most pro-active. They have made a number of recommendations as follows:

1. Change the entry to ‘Market & Social Research’.
2. Change the scope note as follows:

“Primary data collection through interview and other techniques, and data analysis for the purpose of understanding collective opinions, attitudes, and behaviour with respect to products, services, organisations, and issues. Widely used to support evidence-based decision-making in business, government, public services, and other types of organisations, particularly in the areas of marketing, communications, and policy-making.”

3. Change the classification number. They believe the positioning (and numbering implications) of the convergence report reflect business reality much more effectively.
3. Add indexing terms. Key terms recommended are: Opinion Polling, Qualitative Research, Quantitative Research, Survey Research

They had also studied the documents on convergence. They welcomed

1. the new set of high-level groupings and the inclusion of market research under the proposed new grouping of Professional, Scientific, and Technical Services.
2. the separation of Administrative and Support Services, which are important trades, but have no real affinity with Professional, Scientific and Technical Services;
3. the positioning of market research inside the new grouping as a ‘next door neighbour’ to advertising. Research covers much more than advertising of course, but this is the most appropriate place in the revised schedule.

#### **74.14 Business and management consultancy activities**

For this SIC, a number of organisations were contacted including the Management Consultancies Association (MCA), the Institute of Management Consultancy (IMC), the Institute of Public Relations (IPR) and the Public Relations Consultants Association (PRCA).

The MCA currently defines management consultancy as:

The rendering of advice and assistance on management issues. This typically includes identifying and investigating problems/and or opportunities, recommending appropriate action and helping to implement those recommendations.

Amongst the activities they include in their definition are IT consultancy and Human Resources consultancy which is wider than is covered in this SIC. They would like a more detailed classification to match what the use for internal purposes.

The PRCA and IPR would like their industry to be given a higher profile, taken out of Business and management consultancy activities and placed on an equivalent basis. They are presently preparing a case for this.

#### **74.2 Architectural and engineering activities and related technical consultancy**

Consultation on this has been carried out via colleagues in the Construction Industry Directorate, DTI and the Royal Institute of British Architects. Responses are expected.

#### **74.3 Technical testing and analysis**

A number of organisations were contacted at the suggestion of policy colleagues. The only response, so far, has been for “no change”

#### **74.4 Advertising**

Incorporated Society of British Advertisers (ISBA), The Advertising Association (AA), Institute of Practitioners in Advertising (IPA) were all contacted. Reminders were sent to them but no response has been received so far.

#### **74.5 Labour recruitment and provision of personnel**

Policy colleagues and the Recruitment and Employment Confederation Ltd have been contacted. A response is expected shortly.

**74.6 Investigation and security activities**

The Joint Security Industry Council has been contacted and a response is expected shortly.

**74.7 Industrial cleaning**

Cleaning & Support Services Association have been approached and personal contact made. They responded to the earlier exercise Operation 2002. and offered changes at the 5-digit level. These could be incorporated into changes at 4-digit level

**74.8 Miscellaneous Business activities not elsewhere classified.**

A number of organisations have been contacted including the Business Services Association, the Direct Marketing Association, the Association of Exhibition Organisers (AEO) and Association for Conferences and Events. These organisations are expected to comment but replies are awaited.

**85.20 Veterinary activities**

The Royal College of Veterinary Surgeons consider that the descriptions under this heading are a bit odd. They suggest the following replacements:  
'surveillance' for 'control'  
'companion animals and horses' for 'pet animals'  
'their own consulting and surgery rooms or veterinary hospitals and when visiting clients' premises.' for 'veterinary hospitals ... elsewhere.'

**93 Other service activities**

Under this heading the Textile Services Association, the National Hairdressers' Federation and the Hairdressing Employers Federation were approached and reminders sent but no responses received.

**95-97 Private households with employed persons**

No readily identifiable group to give a view. Advice still being sought

## **Overall**

The above comments tend to reflect usage at a detailed industry level. The UK recognised that it was also important to consider usage at a slightly higher or aggregated level. The Department of Trade and Industry and the Office for National Statistics are jointly organising a workshop where key economic analysts that regularly use industry as part of their considerations can understand, consider and input into Operation 2007. The types of organisations that are being invited to this event to discuss issues related to changes in the way industry is classified include the Treasury, Bank of England, Chambers of Commerce, Trade Unions Council (TUC), Institute of Directors, and the Confederation of Business Industry (CBI). The issues include Manufacturing versus Services split; the absolute number of classifications (including by class and group); effects on sample design; and time series versus up-to-datedness (the list is not exhaustive).