

Classification of services of ISIC 89.12+89.13

1. Methods and justification

Since no elaborate theory for a standard classification of services was available when the working group started, the members spent some time on theoretical aspects.

It will be clear that in dealing with projects like this, the most sensible approach is working out the theoretical base first and carrying out the practical work later on, while trying to reach the theoretical ideal as close as possible.

At the same time it is obvious that, considering the possible aims for standard classifications such as comparability between a number of statistics and utility for a large number of applications by using criterions, the available time was too short to investigate these aims and applications properly. In addition to this no rules have been formulated as to how detailed the classification should be and no undisputed applications have been determined. Therefore the working group opted for a pragmatic approach.

This classification is primarily intended for the international co-operation project and contains nothing more than an enumeration of services for each ISIC-group. With such a classification, any economic service can be classified under some item. A few (special) criteria (among other things the general use made of the products by final consumers) functioned as a starting point for constructing the classification, in addition to the experience gained from business surveys, past conversations with company representatives and the literature.

The items of the classification are meant as building blocks for a future Dutch classification in which groups of items will be formed according to a number of economic criteria (such as destiny, origin, structure of costs in the production process). It will be difficult or impossible to collect data on some groups and therefore the classification on the questionnaires will be even shorter.

The aggregates are not meant as the only alternatives in case of a too detailed division on lower levels. Expected problems with regard to the collection of data have had no influence at all.

At the same time the working group felt it would be desirable to draw up and apply as much theory as possible within the limits of the period. After the delivery of the report, the theoretical basis should be finished first. After that the classification should be reviewed critically, and some alterations may be necessary in view of its use in Dutch statistics. In connection with the limited time available we also had to decide to use the top-->down method for drawing up an exhaustive enumeration. The level of detail of the classification was connected with the time available.

The items found in this classification are linked up with the theoretical background as far as possible; in the first instance the buyer of the service is considered to be the main starting point. That is to say: the most frequent use of products is what counts most, together with the question of whether products are transacted together or on their own. For instance: in our view advice has a different function than an accountants statement, and advice on tax matters is completely different for the consumer from advice on logistics.

1. The classification

- A. Statements of accountants, including certifications
 - A1 Financial audits
 - A2 Statements of accountants with a special aim
 - A2.1 regarding observation of legal rules
 - A2.2 regarding subsidies
 - A2.3 regarding insurance and loan applications
 - A2.4 regarding accounts rendered to employees
 - A2.5 regarding emissions of shares, bonds, etc.
 - A2.6 regarding other matters
- B. Economic analysis and advice
 - B1 Economic analysis and advice in the field of marketing
 - B1.1 market research and advice based on market research
 - B1.1.1 market research
 - B1.1.2 advice based on market research
 - B1.2 Other economic analysis and advice in the field of marketing
 - B1.2.1 regarding pricing
 - B1.2.2 regarding distribution
 - B1.2.3 regarding public relations
 - B1.2.4 other
 - B2 Economic analysis and advice in the field of taxes, subsidies and social charges
 - B2.1 regarding company tax
 - B2.2 regarding income tax
 - B2.3 regarding capital tax
 - B2.4 regarding other taxes and social charges
 - B2.5 regarding investment subsidies
 - B2.6 regarding other subsidies
 - B3 Economic analysis and advice in the field of internal organization
 - B3.1 regarding structure of organization
 - B3.2 regarding personnel management
 - B3.3 regarding successions
 - B3.4 regarding product management
 - B3.5 other economic analysis and advice in the field of internal organization
 - B4 Economic analysis and advice in the field of financial management
 - B4.1 regarding credits
 - B4.2 regarding investments
 - B4.3 regarding financial control
 - B4.4 other economic analysis and advice in the field of business finance
 - B5 Economic analysis and advice in the field of administrative organization
 - B5.1 regarding the structure of the accounting system
 - B5.2 regarding the structure of other administrations
 - B5.3 other economic analysis and advice in the field of administrative organization
 - B6 Economic analysis and advice in the field of structure of concerns
 - B7 Other economic analysis and advice

C. Administrative services

- C1 Filling in tax forms and subsidy forms
 - C1.1 regarding company tax
 - C1.2 regarding income tax
 - C1.3 regarding capital tax
 - C1.4 regarding other taxes and social charges
 - C1.5 regarding investment
 - C1.6 Other

C2 Administrative services with regard to book-keeping

- C2.1 keeping ledgers and stock-accounts
- C2.2 keeping debtor accounts
- C2.3 keeping creditor accounts
- C2.4 keeping salary administration
- C2.5 Other

C3 Administrative services with regard to other registrations

D. Support, supervision, assistance; interim management/project management

- D1 Support, supervision and assistance in the field of taxes and subsidies
- D2 idem in the field of internal organization
- D3 idem in the field of administrative organization
- D4 Other economic support, supervision and assistance
- D5 Interim management and project management

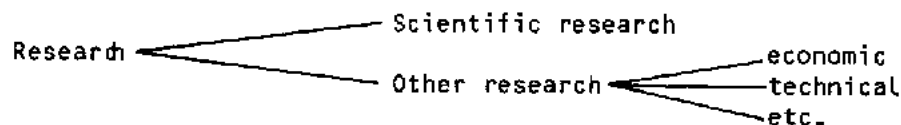
E. Other economic services with regard to businesses

- E1 Representation at mergers, tax affairs, etc.
- E2 Arbitration and conciliation regarding economic affairs
- E3 Other industrial economic services

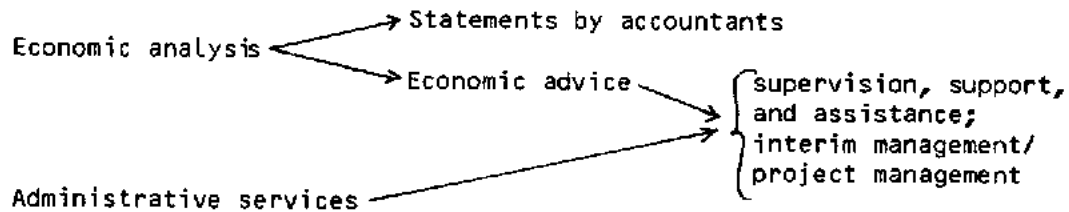
3. Explanatory notes.

Total classification. The group exists primarily of audits and reviews by accountants, administrative services, economic advice and tax consultation. These products not only require a lot of economic expertise (in the field of taxes as well), but also focus on just one specific company, with the exclusion of tax consulting regarding income tax problems. This product is a bit of a side-slip as the buyer is usually a private person.

Many of the products mentioned above can be combined with services of other ISIC-groups, for example:



First level of division: the main products show the following relationships:



Each of these products occurs independently, but some of them overlap partly. E.g. the result of an analysis is always calculated in the product "advice", while "analysis" occurs as an independent product as well (e.g. market research).

A. Statements of accountants including certifications.
In our view this item should be clear.

B. Economic analysis and advice.

Economy has tangent planes with many other disciplines; and analysis of costs and profits are conducted in almost every company, institution or organization. The product "economic advice" in particular is often mixed up with advice on other matters. Such mixed products can be classified according to their main component, but it is defensible to classify them as separate items as well. The working group does not prefer one of these alternatives in particular.

In any case, advice only given with regard to one of the following topics is certainly excluded:

- scientific economic research 1)
- specific advice by banks (among which advice regarding the issue of shares and bonds etc.)
- automation
- legal affairs
- advertising (including direct mail)
- technology (including innovation)

Examples of some specific mixed products:

- advice on the structure of establishments (economic/legal)
- advice on innovations (economic/technical)
- advice on the structure of the accounting system (economic/automation)

N.b. Incidentally the situation can occur where producers consider a combination of several separate items of the classification as their product, with one price fixed and paid. According to the working group this combination should be considered a collection of products. We are aware of the fact that it will be difficult or even impossible to collect data for each individual item.

- 1) The difference between scientific research and other kinds of research lies in the fact that there is no direct obligation for scientific research to yield commercially interesting results. Another distinctive fact is the way of financing: scientific research is subsidized in most cases, while the accent is on theoretical aspects.

C. Administrative services.

This group primarily deals with economic tasks which used to be contracted out and on which no advice will be given. If advice is included, this product ought to be classified under heading D.

A few administrative auxiliary services are excluded here, such as:

- typing
- shorthand
- press-cutting services
- services of administration offices for transport, real estate management, and financial institutions

D. Support, supervision, assistance and interim management/project management

The close co-operation between producer and buyer of the service (in contrast with C) and the fact that they contain advice as well as take over of activities by producers, and last but not least the knowledge that this advice is not without obligations (in contrast with B), are characteristic for these services. Sometimes some of the responsibilities are delegated, e.g. in case of interim management. Recruitment of personnel and data processing are excluded anyway.

Second level of division:

A1. This concerns the statutory auditing of annual reports. Statements in which registered accountants certify that they cannot approve, should also be classified under this heading. When an accountant only approves in the second instance the whole auditing process should be considered as one product.

A2. This refers to all other statements and communications made by auditors.

B1. Usually advertising is counted as part of marketing in general, it is excluded here because it belongs to another category of our activity code.

B3. By internal organization we mean the way in which labour and capital are organized: employees in divisions, stored goods etc.

Examples of advice regarding labour are:

- Human resource planning
- Motivation and remuneration of personnel

B5 Here the structure of the accounting system and the resulting report to the management are meant.

B7. This heading includes combinations of B1-B6 : advice in general. This will usually concern management in general (e.g. taking over business, strategic planning). Furthermore this item contains analysis and advice regarding:

- Time and movement studies
- Standardization of work achievements
- Analysis of industrial sections
- Econometric models

D4. This concerns supervision and support in the field of marketing (not advertising or market research), of structure of establishments and of other industrial tasks.

- E1. Representation is a service rendered in aid of only one principal, for whom negotiations are conducted, sometimes with a power of attorney.
- E2. The fact that a solution for a conflict between two parties is worked out by a person rendering the service who is above both parties is characteristic for intermediation and arbitration. In the case of arbitration, a judgement is required, whether it is absolute or not. Intermediation and arbitration by courts of justice etc. are excluded.
- Ad E3. This heading includes, for instance, incidental training and education of personnel.

Division on 3-digit-level

- A24. This item contains i.a. statements regarding annual reports on social policy.
- A26. These statements refer for instance to the observance of cartel regulations and to investigations into non-ethical affairs.
- B34. The advice refers to e.g. the following production aspects:
- stock control
 - quality management
 - productivity improvements
- B43. To this item belong i.a. analysis and advice regarding
- budget control
 - liquidity management
- B44. If advice regarding the issue of bonds and shares is mixed with aspects of the corporate financial structure, the resulting combined service ought to be classified under this item.

Introduction.

In their comments on our first draft, Statistics Canada suggested that the items of our CPC-proposals be realigned.

The Dutch classification was constructed on the principle that the items had to be aggregated at a later stage in such a way that the international situation is reflected accurately.

As we have no insight in the situation in other countries, we decided to adopt the greater part of this passage from the Canadian comments and enclose their proposal for regrouping the items as an Annex to this paper.

8922 Accounting Services

| | |
|--|----|
| 89221 - Financial auditing services | A1 |
| 89222 - Compilation services + Review services | A2 |

8923 Book-keeping services

| | |
|---|---------|
| 89231 - Book-keeping services (except tax returns) | C2 + C3 |
|---|---------|

8924 Taxation services

| | |
|--|--|
| 89241 - Corporate tax planning and consulting services | B2.1 + D1 |
| 89242 - Corporate tax preparation and review services | C1.1 |
| 89243 - Individual tax preparation and planning services | B2.2 + C1.2 |
| 89249 - Other tax related services | B2.3 + B2.4 + B2.5 + B2.6 + C1.3 + C1.4 + C1.5 + C1.6 |

8925 Management consulting services

| | |
|---|------------------------------------|
| 89251 - General management consulting services | B3.1 + B5 + B6 D2 + D3 |
| 89252 - Financial management consulting services (except corporate tax) | B4 + part of D4 |
| 89253 - Marketing management consulting services | B1 (except B1.1.1) + part of D4 |
| 89254 - Human resources management consulting services | B3.2 + B3.3 + E3 |

| | |
|---|-----------------|
| 89255 - Production management consulting services | B3.4 |
| 89256 - Public relations services | B1.2.3 |
| 89259 - Other management consulting services | B7 + part of D4 |

8926 Services related to accounting and management consulting

| | | |
|---|-------------------------------------|--------------------------------|
| 89261 - Market research services | B1.1.1 Market research (see note A) | } see infrastructural services |
| 89262 - Project management services | D5 Interim management | |
| 89263 - Arbitration and conciliation services | E2 Mediation and arbitration | |
| 89269 - Other | | |

Note A: If marketing management consulting assignments include some market research such a mixed product would be classified to the proposed CPC 89253. Market research specialists are not normally engaged in consulting.