

Progress report for Statistics New Zealand on PPI for services

The main achievements of the country or organization for the recent period 2002-2003:

Over the last year (June 2002 to June 2003) Statistics New Zealand did a preliminary investigation into the current set of PPIs, to establish the robustness of our indexes. The preliminary investigation focussed on whether the indexes are in line with current best practice and whether the indexes reflect the current price movements in the industry in which it fits. A review was also done by an independent index expert from Australia.

After the preliminary investigation and review a decision was taken that a full redevelopment of all the indexes (by Industry) will start in September 2003. This redevelopment will focus on reviewing all the indexes we currently produce, choosing new items to price within the commodity indexes and ensuring that all the commodity indexes are representative of all commodities in the industry they belong. A decision will also be taken on whether Statistics New Zealand will continue to produce the full set of industry indexes we currently have or whether the full set should be expanded or some indexes discontinued.

In view of the investigation of the indexes over the past year, no new redevelopments were done on any of the indexes and the indexes were only maintained as far as possible.

The main issues and challenges facing the country or organization:

Various issues were identified with the PPIs for services over the past year. The main issue is to decide how to adjust for quality differences. It is extremely difficult to establish differences in quality in services offered to different clients and is mostly subjective of nature.

List prices are another issue that we struggled with. In most cases the service is tailored to the needs of the client and the actual price paid by the client differs from that of the list price.

Various service prices in the New Zealand PPIs are surveyed with the use of a model. It was also found that in some cases (eg Legal fees) the specifications (in the model) are in practice quite different from one client to another and that the actual price paid is then also different.

The use of charge-out rates also created difficulties with the identification of quality differences. When hourly charge-out rates are used it is difficult to identify when a price is due to real price movements or due to better qualifications, experience etc.

The priorities of the work program for the next years and:

Since the redevelopment project will only commence in September 2003, no priorities with respect to the work program have been set yet for Statistics New Zealand. All service PPIs are however fairly high on the priority list. A full review of the current

service indexes will be undertaken to reselect items -to-price and update methodologies to reflect best practice.

Future topics which are of interest to the Voorburg Group for inclusion in the next program:

After the redevelopment project plan has been drawn up more details will be provided in the coming months about possible topics that Statistics New Zealand will be looking at over the coming year.

Classification of service activities and products

New Zealand and Australia are currently working on a revised ANZSIC96 (Australian and New Zealand Standard Industrial Classification) to be released as ANZSIC 2006.

Review of the Australian and New Zealand Standard Industrial Classification (ANZSIC)

In the mid to late 1980s the Australian Bureau of Statistics (ABS) and Statistics New Zealand (SNZ) jointly developed ANZSIC 1993. To ensure the international comparability of ANZSIC, it was aligned as closely as possible with the International Standard Industrial Classification of all Economic Activities, Revision 3 (ISIC Rev 3). In 1996 SNZ published a modified classification, ANZSIC New Zealand Version 1996, with additional detail for specific New Zealand industries. The ABS and SNZ commenced a joint review of ANZSIC in July 2000, and the review will update ANZSIC to reflect contemporary and future views of the economy. ANZSIC 2006 is scheduled for publication in February 2006.

In the development of ANZSIC 2006, a supply-side basis to industry definitions and groupings will be used with the aim of removing a major source of inconsistency within the existing classification. The supply-side concept prescribes that categories in ANZSIC 2006 will be based on aspects of commonality of the activities of the producers of goods and services. Consideration will not be given toward the financing arrangements of the unit, nor on some aspect of commonality amongst the purchasers/consumers of those goods and services (the demand-side concept).

This will also ensure consistency with the North American Industry Classification System (NAICS), which is the most contemporary industry classification in existence, and is most significant in that it applies the supply-side conceptual principle for classifying industrial activity. The United Nations Statistical Commission has also recently recognised the need for change and has commenced a review of ISIC which is expected to be completed in 2007. The change in the concept underpinning ANZSIC 2006 means that some areas of the classification will change significantly. However, the revised version will improve the ease of use of the classification, and will improve the quality of the statistical outputs provided by it.

The review of ANZSIC 2006 is now well underway, with over half of the divisions (the highest level groupings of industrial activities) being completed. The completed divisions include **Accommodation and Food Services; Heritage, Arts and Recreation; Construction; Education and Training; Financial and Insurance Services; Public Administration and Defence; Health Care and Social Assistance**; parts of the **Manufacturing** division (being broken into segments for development purposes); **Mining; Rental, Hiring and Real Estate Services**; and **Electricity, Gas and Water Utilities**.

In development at the moment are several other divisions including the **Wholesale and Retail Trade** divisions, which are likely to be significantly changed due to the application of the supply-side concept outlined above to the classification. New divisions are being formed from existing ANZSIC categories, such as the **Information** division, which will group units mainly engaged in:

- creating information products that are stored in media that allow for their dissemination;
- transmitting information products via electronic means; and
- providing transmission services and/or operating the infrastructure to enable the transmission and storage of information and information products.

Other divisions being formed from existing ANZSIC categories include several 'services' divisions. These divisions are:

- Professional, Scientific and Technical Services**, characterised by its grouping of activities that require a high level of expertise and training (excluding health and welfare activities);
- Administrative and Support Services**, which will include administrative and support services such as secretarial, clerical, call centres, travel agencies and other similar services;
- Waste Collection and Management Services**, which will group activities which undertake the collection, treatment and disposal of waste materials (except sewage);
- Public Order and Safety**, which groups law enforcement services, including criminal and civil laws and regulations, security and other public safety activities such as fire fighting services; and
- Other Services**, which groups personal care services and services not specifically provided for elsewhere in the classification system.

Review of the Australian and New Zealand Standard Classification of Occupations (ANZSCO)

Statistics New Zealand is undertaking a major review of the New Zealand Standard Classification of Occupations (NZSCO) as a joint venture with the Australian Bureau of Statistics. The review will ensure that the occupation classification remains, relevant, timely and statistically sound. It will also ensure that the classification provides a better measurement of occupational skills to assist job seekers, employers and researchers. This review will culminate in a joint Australian and New Zealand Standard Classification of

Occupations (ANZSCO) which will be used in the 2006 Census of Population and Dwellings.

Having considered stakeholder comments regarding conceptual models, the consensus amongst Australian and New Zealand stakeholders was predominantly for a model based on a combination of the skill level and skill specialisation criteria used to design major groups (highest level groupings of occupations). The skill level criterion is then applied rigorously at the sub-major group level (the next highest level of aggregation) together with a finer application of skill specialisation. All sub-major groups are therefore at only one skill level. Agreement has also been reached on the definitions for job, occupation, skill level and skill specialisation.

Work has begun on the development of a draft classification structure. This first draft will be completed by the end of 2003. Five skill levels (based around qualifications) have been identified and each major group may have more than one skill level associated with it but each sub-major group will have only one skill level. Previously skill level was used to differentiate between the major groups and this caused difficulties for some users reconciling five skill levels with nine major groups.