

ARTICLE

*John Hughes***Office for National Statistics***Keith Brook***Department for Innovation and Skills**

Implementation of SIC 2007 across the Government Statistical Service (GSS)

SUMMARY

Standard Industrial Classification (SIC) is a method of classifying businesses by their type of economic activity. The classification is used in the collection and presentation of data across the Government Statistical Service (GSS) and for administrative purposes and by government and non-government bodies as a convenient way of classifying industrial activities into a uniform and common structure. The UK's SIC has been revised six times since its introduction in 1948, but SIC 2007 represents the first major revision since 1992 and follows a series of consultations in conjunction with a revision of the European Union's industrial classification system. This article gives an overview of ONS's progress over the last year towards carrying out the revision and discusses the wider impact across the GSS.

ONS surveys

Work over the last year has continued in order to meet the SIC 2007 revision timetable as set out by Eurostat. The Annual Business Inquiry (ABI) and PRODCOM (PROducts of the European COMMunity) both now use the new classification for results related to 2008 and onwards, and short term statistics have been supplied to Eurostat on the new SIC 2007 basis since the start of 2009. This has been achieved by using conversion matrices for the interim period until 2010 when the surveys will be converted.

Planning for the latter phases of the implementation project has also continued with some changes to the timetable following last year's 'SIC 2007: implementation in ONS' article in the August 2008 edition of ELMR : www.statistics.gov.uk/cci/article.asp?id=2034

- the prices surveys (PPI and SPPI) will now be based on SIC 2007 from June 2010 and not January 2010, a more realistic timeframe
- the quarterly International Trade in Services (ITIS) survey moved to the new SIC basis from 2009 Q1, in order to run the quarterly survey in line with the annual ITIS survey, which will also adopt SIC 2007 during 2009

With Labour Market Statistics, ONS has firmed up plans for implementation and they will move to SIC 2007 in four tranches - the greater part of the transition occurring

with the June 2010 Labour Market Statistics Statistical Bulletin.

Progress towards implementation: Labour Market Statistics

The following schedule outlines the progress towards the implementation of SIC 2007 in Labour Market Statistics.

May 2009

The Labour Force Survey (LFS) did not convert from SIC 1992 to the revised SIC 2003, and so the 'LFS microdata' moved directly from SIC 1992 to SIC 2007 from May 2009 to meet European regulatory requirements, although data on a SIC 1992 basis will continue to be available to users. However, to ensure consistency with other published labour market aggregate estimates, industrial based estimates published in the monthly integrated Statistical Bulletin of Labour Market Statistics, and the web based Historical Quarterly Supplement, will not move to a SIC 2007 basis until June 2010. Further details are given below.

November 2009

The next Labour Market outputs to be published on a SIC 2007 basis will be the 2008 results from the Annual Survey of Hours and Earnings (ASHE) and the Annual Business Inquiry (ABI/1) in November and December 2009 respectively.

June 2010

The monthly Labour Market Statistics Statistical Bulletin release includes industrial

based estimates of Workforce Jobs (Table 5(2)), Vacancies (Table 22) and Redundancies (Table 24). These tables will move to a SIC 2007 basis in the June 2010 edition. ONS plans to provide historical back data for the SIC 2007 estimates for as far back as currently existing SIC 2003 estimates (for example, back to 1978 for Workforce Jobs).

The SIC 2007 Workforce Jobs table is expected to show more detailed industrial breakdown than the current Table 5(2). It is expected that the SIC 2007 Vacancies and Redundancies tables will show a less detailed breakdown than the SIC 2007 Workforce Jobs table for data quality reasons.

The industrial breakdown of redundancies, shown at Table 24 of the Labour Market Statistical Bulletin, is not seasonally adjusted and is for calendar quarters only. With the move to SIC 2007 in June 2010, ONS plans to improve the presentation of vacancies by industry by showing seasonally adjusted estimates for rolling three-monthly time periods.

2011

Productivity estimates will not move to SIC 2007 until 2011 for consistency with National Accounts, which will go over to SIC 2007 in 2011.

Non-ONS surveys

Government Statistical Service (GSS) staff in policy departments and the devolved administrations are responsible for the implementation of the SIC 2007 for non-ONS surveys or administrative sources. This activity is being reviewed and monitored through a GSS Steering group responsible for co-ordinating the implementation of SIC 2007 across the GSS, including ONS surveys and activities.

The Steering group is chaired by the Department for Business, Innovation and Skills (BIS) and includes representatives from ONS and policy departments which have a strong 'industry' interest, such as Defence Analytical Services Agency, Bank of England and Revenue and Customs. A representative from the Steering group sits as a GSS representative on the ONS SIC 2007 Implementation Project board.

Where a survey is undertaken by ONS on behalf of another department, in the majority of cases the ONS is taking responsibility for implementation on behalf of the department. Examples include the Family Resources survey, a household survey undertaken by ONS on behalf of the Department for Work and Pensions, and the UK Innovation survey, undertaken by the ONS on behalf of BIS.

Departments were contacted in 2007/08 to identify non-ONS surveys and administrative sources which need to move to SIC 2007. This exercise identified 58 sources, with 20 being from Northern Ireland. They are a mixture of business and household surveys and administrative databases as summarised in **Table 1**. A number of departments are planning to implement SIC 2007 during 2009 and some have already done so.

With the exception of those of Northern Ireland, the majority of the sources do not impact on ONS outputs and are stand-alone surveys, often undertaken on an annual or more occasional basis.

With the support and agreement of the Statistical Head of Profession in each department, SIC 2007 should be brought in everywhere by 2011 when the UK National Accounts and outstanding ONS sources are converted.

The majority of the Northern Ireland sources are regular surveys which mirror key ONS surveys where coverage is limited to Great Britain (GB). GB and Northern Ireland outputs are combined by the ONS to produce UK estimates. The Northern Ireland Administration has collaborated with the ONS on an implementation timetable to ensure that UK estimates are preserved on a consistent basis for business and household surveys covering key economic outputs such as Gross Value Added (GVA) and employment.

Key Transitional Issues

The ONS has already introduced SIC 2007 in some key surveys, including the ABI and

the LFS. Implementation is now entering a transitional stage with some outputs published on the new SIC 2007 basis and the majority of outputs remaining on the existing SIC 2003 basis. Over the next two years the balance will move towards outputs being published on a SIC 2007 basis until 2011 when National Accounts and Productivity outputs are converted and SIC 2003 will no longer be used.

There may be timing differences between when SIC 2007 is implemented into a survey collection and when the corresponding outputs are published on the new basis. Labour Market Statistics is an example: the Labour Force Survey has now brought in SIC 2007 from 2009 Q1, but the monthly Labour Market Statistics Bulletin, which draws on a range of survey outputs in addition to the LFS, will continue to publish on the SIC 1992/2003 basis until June 2010. However, analysts who make use of the 2009 LFS micro-datasets will only have access to SIC 2007 based industry characteristics. A conversion matrix is available from ONS to convert from SIC 2007 back to SIC 1992, but only down to two digit SIC detail.

Users need to anticipate that where analyses draw on a number of sources, there may be a lack of coherence in the industry classification for some time, both in terms of outputs and the availability of consistent time-series. Some back series will be published for short-term outputs, but only on a limited basis for annual surveys. Of necessity back-series will be of a limited length and generally at a higher level of aggregation with the focus on key

Table 1

Summary of non-ONS sources requiring SIC 2007 implementation

Department	Number	Type	Frequency	Implementation plans
BIS	5	Business / Higher Education	Annual / Occasional	2009/10
BoE	1	Administrative	Quarterly	2010/11
DASA	1	Administrative		2008
DCSF	2	Household / Young people	Occasional	2009 (industry in some sweeps)
DCMS	1	Household	Annual	2009/10
DEFRA	2	Business	Annual / Occasional	2009/10
DETR	12	Business	Annual / Quarterly	2009/10
DFPNI	8	Household	Quarterly / Longitudinal	2009
DfT	1	Business	Annual	To be agreed
DWP	4	Business / Administrative	Annual	To be agreed
Forestry	1	Business	Occasional	2010 or later
HMRC	5	Administrative	Continuous	2008-10
HSE	3	Administrative	Continuous	2009
Insolvency	3	Administrative	Quarterly outputs	2009/10 or later
Learning & Skills Council	3	Administrative	Occasional	2009
Scotland	2	Business	Annual	2009
Wales	4	Administrative / Household	Annual / Occasional	To be agreed

Source: GSS steering group for implementing SIC 2007

variables and outputs. ONS is able to advise on the availability and feasibility of using conversion matrices to provide consistent historical time-series for other more detailed outputs.

During this transitional period, Parliamentary Questions (PQs) will be answered on the old SIC 2003 basis until survey outputs are published on the new SIC 2007 basis. For example, PQs that use LFS data should continue to answer on the SIC 1992 basis until June 2010 when the Statistics Bulletin starts using SIC 2007. However, if a PQ requests data in SIC 2007 form, for example to compare to another series that has already changed over, it will be given if it is available. There may also be difficulties with continuing to publish on the old basis due to the limited availability of and quality of conversion matrices, eg below two digit SIC for the LFS.

While Northern Ireland has co-ordinated its implementation timetable with the ONS to ensure that UK consistent data are maintained, there are some differences in the timing of publication between Northern Ireland and ONS. Northern Ireland has now implemented SIC 2007 into its employment census and started publishing employee jobs industry statistics on their web-site

on a SIC 2007 basis, but the rest of the UK will not make the transition until 2010. Northern Ireland needed to choose between implementing either a year ahead or a year behind ONS and decided on the former due to the Eurostat timetable. In the interim period, Northern Ireland is supplying ONS with SIC 2003 based employee jobs estimates using conversion matrices and these are available to other users on request from Northern Ireland Statistics and Research Agency (NISRA).

As mentioned, ONS has now started to supply Eurostat with short term statistics on a SIC 2007 basis, which is a legal requirement. With the exception of LFS employment, this is being derived by the UK from conversion matrices since most short-term surveys will not be converted until 2010. Existing data supplied to Eurostat in this interim period will be revised following the implementation of SIC 2007 into these surveys and will include back-cast data for a number of years to provide a coherent time-series. Users who access Eurostat data need to be aware that the data may be of lesser quality while conversion matrices are being used. The Eurostat web-site is not transparent in terms of which countries have already implemented SIC

2007 or are adopting the UK approach of using conversion matrices on an interim basis. Hence the coherence of Eurostat data between countries may be weakened for the interim period until all countries have implemented the new classification.

While Eurostat has required, by regulation, that NACE Rev2 (the European version of SIC 2007) is implemented across member states to an agreed timetable, this is not the case for non-EU countries. In time, this will impact on the coherence of country statistics published by organisations such as the OECD and World Bank. This may be a problem for data relating to non-EU countries, particularly major countries such as the US, Canada and Japan and the key developing BRIC countries (Brazil, Russia, India and China). The GSS Steering group is planning to investigate any potential coherence issues with the OECD and World Bank so that users can be advised both on the expected impacts and on any transitional arrangements for the implementation of SITC Rev4 (the UN version of SIC 2007).

CONTACT

✉ elmr@ons.gsi.gov.uk