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STANDARD CLASSIFICATIONS - MEANS FOR SYSTEMATIC ANALYSIS OF ECONOMIC AND SOCIAL PHENOMENA

by Director Francisco K. Mallion¹

Understanding official statistics released by the statistical organizations and other units of the government, known as the Philippine Statistical System, is made possible through the use of standard classification systems. These systems are means for compiling and aggregating statistical data that enable meaningful analysis of economic and social events. Statistics based on the country's statistical surveys on households, establishments, agricultural crops and livestock production, censuses of agriculture and population as well as derived statistics such as the national income accounts are presented in accordance with standard classifications. As such they are better understood and utilized by data users that include policy makers, researchers, academe, media, international organizations and the general public.

Systems for classifying and aggregating statistics on various

economic and social areas such as occupation, industrial activity, trade, products (good and services), and education are necessary for harmonizing statistics at the country level and enabling international comparability of statistics. The United Nations has recommended classification systems on these areas that can serve as basis for systematic analysis and common bases for reporting of statistics to international agencies, thus reducing the burden on Governments. In this light the United Nations Economic and Social Council urges all Governments to make use of standards classifications by: (a) adopting the systems of classifications with such modification as may be necessary to meet national requirements without disturbing the frameworks of classifications, or (b) rearranging their statistical data in accordance with the systems for purposes of international comparison.

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As member country of the United Nations (UN), the Philippines adheres to the UN international economic and social classifications through the National Statistical Coordination Board (NSCB). The NSCB prescribes statistical standards and classification systems in the generation of official statistics for adoption by all government agencies. It maintains and continually develops standard classifications to ensure uniformity and comparability of statistics in the country. The national standard classifications are patterned after international economic and social classifications recommended by the United Nations to maintain international comparability of Philippine statistics.

At present, the NSCB maintains the following standard classifications: (1) Philippine Standard Industrial Classification (PSIC) based on UN International Standard Industrial Classification (ISIC) Rev 3.1; (2) Philippine Central Product Classification (PCPC) based on the UN Central Product Classification (CPC) Version 1.1; (3) Philippine Standard Commodity Classification (PSCC) based on the UN Standard International Trade Classification (SITC) Rev 3; (4) Philippine Standard Occupational Classification (PSOC) based on ILO International Standard Classification on Occupation (ISCO 1988); (5) Philippine Standard Classification of Education (PSCED) based on the International Standard Classification of Education (ISCED) prepared by the United Nations Educational, Scientific and Cultural Organization (UNESCO); and (6) Philippine Standard Geographic Code (PSGC) which has no corresponding UN classification.

The process of developing our national standard classifications starts after a new/revised economic and social

classification is released by the United Nations. The Statistical Classification and Standards Division of the NSCB studies the new/revised UN classification and then prepares a draft Philippine version to be used in the country. A technical working group reviews the draft. The completed draft is then presented to, reviewed and approved by the Technical Committee on Statistical Standards and Classifications (TCSSC) for recommendation to the NSCB Executive Board. Once approved by the Board a Resolution is issued enjoining all government agencies to adopt the classification for compiling/generating official statistics to ensure harmonization and comparability of statistics in the country and at the international level.

A brief description of these standard classifications as used by different agencies in the compilation and production of their statistical data are as follows.

1. The PSIC is widely used in classifying economic activity in the establishment and household surveys and population census conducted by the National Statistics Office (NSO). The national industrial classification is also used in the compilation of administrative-based data such as those from the Securities and Exchange Commission (SEC) and the Bureau of Internal Revenue (BIR) in classifying enterprises/firms. It is used in generating foreign direct investments (FDI) by concerned agencies, namely, Bangko Sentral ng Pilipinas, Philippine Economic Zone Authority, Clark Development Corporation, Board of Investments and Subic Bay Metropolitan Authority. The compilation of statistics in the 1993 System of National Accounts (SNA) and in the

construction of Input-Output (I-O) Table by the NSCB makes use of the classification. The PSIC is periodically revised to reflect changes in economic activities, emergence of new industries, the structure of the economy, and to realign with the UN ISIC revisions for purposes of international comparison.

2. The PCPC is a system of different but interrelated classification of economic goods and services. The 2002 PCPC is the first edition of complete product classifications covering goods and services in the Philippine economy. It provides a framework for national and international comparisons and promotes harmonization of various types of statistics with goods and services. It provides link between the product and industry of economic activity. The primary purpose of the PCPC is to classify the good and services that are the result of production in the Philippine economy. The first PCPC has been published and disseminated to various agencies. It is now used in the construction of the 2000 Input-Output Table of the Philippines.
3. The PSCC is a classification of all commodities on imports and exports being used for tariff and statistical purposes. The 2004 PSCC, which is the latest PSCC, is an integration of the ASEAN Harmonized Tariff Nomenclature (AHTN) based on the 2002 Harmonized Commodity Description and Coding System (HS) issued by the World Customs Organizations (WCO) and the 1993 PSCC (as amended in 1999). Most countries use the HS for the compilation and

dissemination of their international trade statistics for comparability of trade statistics. As member of the ASEAN, it is imperative that the AHTN be adopted by the Philippines for comparability of data on foreign trade. However, the use of the AHTN per se does not include some of the information contained in the PSCC for statistical purposes, thus the need to integrate the PSCC and the AHTN. The AHTN (8-digits) has been expanded with additional 2-digits for the PSCC codes which are not in-one-to-one correspondence with those of the AHTN. The PSCC is mainly used by the National Statistics Office, Bureau of Agricultural Statistics, Bureau of Export Trade Promotions, and the banks and exporters.

4. The PSOC is a statistical classification of the different occupations of the working population including the military workforce of the country. It is closely patterned after the International Standard Classification of Occupations (ISCO 1988) of the International Labour Organization (ILO) with some modifications to suit national conditions and requirements. The latest revision is the Updates to the 1992 PSOC, which can be used as: (a) basis in recruitment and job placement; (b) basis in the formulation of policies, plans and programs in education and other manpower development activities; and (c) frame in the collection, compilation and analysis of statistical data on labor and employment. The National Statistics Office, the Bureau of Labor and Employment Statistics and the Philippine Overseas

Employment Administration are the primary users of the PSOC.

5. The PSCED is a detailed classification of all educational levels in the Philippine Educational System. It is a four-stage classification system providing successive subdivisions from level to field, to program to group, to specific course/degree. Patterned after the 1976 International Standard Classification of Education (ISCED), the first PSCED was developed in 1994 and was eventually updated to incorporate additional courses recommended by the Department of Education and Culture and Sports (DECS) and the Commission of Higher Education (CHED) which are main users of the classification. The Updated PSCED was disseminated to users in 1997.
6. The PSGC represents a systematic classification and coding of the geographic areas of the country. It rationalizes and integrates the different geographic codes used earlier by various government agencies. It is continuously being updated by the NSCB in coordination with concerned agencies. The 1996 PSGC, which supersedes the 1977 version, is available by region in seventeen volumes. Furthermore, the list of barangays is continuously being updated, the latest of which was dated March 30, 2005.

In line with the continuing efforts to improve the Philippine Statistical System, the NSCB monitors the implementation of the standard classifications by concerned agencies. In 1998, the NSCB conducted a survey among government and private agencies to determine the extent of their

cognizance and adoption of the standard classifications, and to obtain information which may be useful in updating and improving them. Questionnaires were distributed to seventy sample respondents from selected government and private agencies, i.e., 55 government agencies and 15 private agencies. Of the seventy (70) agencies, 34 responded. The results indicated that 70.6% were aware of the PSIC; 64.7% of the PSCC; 38.2% of the PSOC; 41.2% of the PSGC and 26.5% of the PSCED. Of the five (5) classification systems, the PSIC came out as the most popular one, followed by the PSCC. Based on these results, the NSCB Management approved the conduct of a series of appreciation seminars aimed at developing awareness and understanding the use of uniform standard classifications by all government agencies.

The NSCB periodically revises and amends the standard classifications to take into account the emergence of new commodities, products, industries, educational programs/courses, occupations, local government units and purposes of expenditures; increase or decrease in importance of existing items or disappearance from the market as a result of changes in technology and adapt changes in the revisions of international classifications. In February 2004, the NSCB Executive Board, upon the recommendation of the TCSSC, issued Resolution No 1, Series of 2004 approving and Adopting the Policy on the Revision and Amendment of the Philippine Standard Classification Systems. The policy aims at reducing the time lag between the issuance of international standard classifications and the preparation of our national standard classifications, thus enhancing their relevance. All national standard classifications, with the exception of the PSCC, will be revised within one year

after the release of the UN international classifications; it will be two (2) years for the PSCC.

The implementation of the standard classifications is a dynamic process that addresses emerging needs of users. The National Socio-Economic Summit held on December 10, 2001 identified ICT services as one of its priority issues. Two administrative measures were identified to address this issue, namely: (a) establishment of a mechanism to record and monitor the contribution of e-exports to the economy; and (b) inclusion of electronic exports in the national statistical system. The NSCB Executive Board therefore issued Resolution No 12, Series of 2002 Approving the Product Coverage of electronic exports in order to have consistent and comparable statistics on exports of electronic products. Also, one of the 10-point agenda of the Philippine government is job creation. Outsourcing is one focus of job creation as it is considered a bright spot in the economy that will be a major driver of growth for the next five years. Outsourcing in the Philippines is classified as an ICT or IT-enabled service sector divided into five sub-sectors, namely (a) contact centers, (b) business process outsourcing, (c) software development services, (d) animation, and (e) medical transcription. The NSCB is now studying the detailed coverage of outsourcing to aid the government in monitoring job creation in this area.

Finally, in line with the objective of enhancing the quality of statistics generated, the NSCB is currently working on the Classification of Individual Consumption According to Purpose (COICOP) to identify individual consumption expenditures incurred by three institutional sectors, namely, the households, non-profit institutions serving households (NPISH) and the general government.

Revision of three major international classifications, namely, ISIC, CPC and ISCO, started several years ago, is nearing completion. ISIC and CPC will be completed in 2007, while ISCO will be released in 2008. The revision process is done through periodic meetings of the UN Expert Group on International Economic and Social Classifications. Its most recent meeting was held on June 20-24 at the UN Headquarters in New York and which the author attended as Chair of the Technical Committee on Statistical Standards and Classifications. The Expert Group has created a technical subgroup for each classification to undertake more rigorous and detailed study of the broad structures and levels of the classifications taking into consideration their continuity and relevance to the requirements of the international organizations and all countries as well. It follows that our national standard classifications will be revised based on these international classifications in accordance with the timetable set in the revision policy approved by the NSCB Executive Board.

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