

GLA Economics and London and Partners joint response to the Office for National Statistics consultation on the UK adoption of industrial classification of economic activity

January 2024

We welcome the development of a more up-to-date industrial classification, and note that at a time of rapid technological change it has been more than fifteen years since the current version was introduced.

It is also a disappointment that there has been no scope to input our views on the development of the new classification. While London and the UK are service-based economies, the granularity of the classification is disproportionately weighted towards manufacturing. That said, it is welcome that there is some refinement of service categories in the new classification, and it is hoped that this can be developed further in lower levels of the classification.

It would be helpful to have user engagement in the next stages of the development of the classification to ensure that it is fit for our purposes. There is a gap between the classification from 2007 and the new sectors that have emerged since then. This means that businesses in focus areas like artificial intelligence, e-commerce, edtech, cyber security, fintech, insurtech, immersive technologies, legaltech, proptech, retailtech and HR tech may register with Companies House in a variety of SIC codes. One edtech company may register in 85 Education and another in 62 Computer Programming. A virtual reality company may register in 59 Motion Picture. London & Partners has a workaround to solve this issue, but, ideally, the SIC codes would reflect today's businesses as it would make our analysis more correct. We are also conscious that some private companies are making business out of providing classifications that reflect today's businesses, which indicates the demand for this. GLA would like to see SIC-based definitions for emerging areas of interest such as the 'green' and 'night-time activity' sectors.

We would also like the development of the new series to be made with an eye to its implementation. It will be important to continue to have national and regional back series for established series such as output and jobs, and less established series such as regional trade. There should also be robust look-up tables for use with other data

sources such as the Labour Force Survey (LFS) and the Business Register and Employment Survey (BRES).

Annex 1 - Consultation questions

Revised versions of International Standard Industrial Classification of All Economic Activities (ISIC) and Statistical classification of economic activities in the European Community (NACE) have been approved and endorsed for adoption by the relevant international bodies, namely the United Nations Statistical Commission and European Commission (Eurostat) respectively.

The UK no longer has any legal obligation to adopt either classification, therefore we are keen to hear from users to inform a decision on which system the next version of UK SIC should be based.

Please note that the UK remains autonomous in the UK SIC revision process, but, following the UK's exit from the EU, no longer contributes to any updates to the NACE framework. It will, however, continue to contribute to updates that are applied to the ISIC framework.

Please answer all questions.

About you

The following questions will ask about you and your use and opinion of the current economic activity classification adopted for use in the UK.

1. What is your name? (Required)

Mike Hope

2. What is your email address? (Required)

mike.hope@london.gov.uk

3. Are you responding on behalf of an organisation? (Required)

- Yes
- No

4. If yes, what is the name of your organisation?

Greater London Authority and London and Partners

Your use of economic classifications

5. Please explain how you use economic activity classifications in your role. (Required)

GLA Economics publishes a range of [work](#) on London's economy. It has a particular interest in business services as they drive London's economy, and how they are evolving. It also publishes short-term [macroeconomic forecasts](#) and long-term [employment projections](#) at a sector level.

6. Please share which other, if any, economic activity areas of the classification you are interested in. (Required)

GLA Economics works on all sectors of the economy, and has recently published in depth research on [retail](#) and [culture](#). It regularly produces bespoke analysis for the [creative industries](#), has a definition of the [science and technology classification](#) developed by the Office for National Statistics (ONS), and has an interest in definitions of the green economy. It will also use other bespoke definitions at detailed SIC breakdowns such as for digital and culture.

It has developed the [more detailed jobs series](#) of employee jobs to four-digit SIC.

7. Please rate how important each of the following factors are to you. (Required)

Regularity of framework reviews

- Not important at all
- Not very important
- Neither important or unimportant
- **Quite important**
- Extremely important

Level of comparability to the international economy

- Not important at all
- Not very important
- Neither important or unimportant
- **Quite important**
- Extremely important

Level of comparability to the European economy

- Not important at all
- Not very important
- Neither important or unimportant
- **Quite important**
- Extremely important

Reflecting the current UK economy

- Not important at all
- Not very important
- Neither important or unimportant
- Quite important
- **Extremely important**

Level of UK classification granularity

- Not important at all
- Not very important
- Neither important or unimportant
- Quite important
- **Extremely important**

The UK's ability to contribute and influence the revision process

- Not important at all
- Not very important
- Neither important or unimportant
- Quite important
- **Extremely important**

8. Please rate how satisfied you currently are with each of the following factors.
(Required)

Regularity of framework reviews

- **Extremely unsatisfied**
- Quite unsatisfied
- Neither satisfied or unsatisfied
- Quite satisfied
- Extremely satisfied

Level of comparability to the international economy

- Extremely unsatisfied
- Quite unsatisfied
- Neither satisfied or unsatisfied
- **Quite satisfied**
- Extremely satisfied

Level of comparability to the European economy

- Extremely unsatisfied
- Quite unsatisfied
- Neither satisfied or unsatisfied
- **Quite satisfied**
- Extremely satisfied

Reflecting the current UK economy

- **Extremely unsatisfied**
- Quite unsatisfied
- Neither satisfied or unsatisfied
- Quite satisfied
- Extremely satisfied

Level of UK classification granularity

- Extremely unsatisfied
- Quite unsatisfied
- Neither satisfied or unsatisfied
- **Quite satisfied**
- Extremely satisfied

The UK's ability to contribute and influence the revision process

- **Extremely unsatisfied**
- Quite unsatisfied
- Neither satisfied or unsatisfied
- Quite satisfied
- Extremely satisfied

90% of London's economy is in services, and 80% of the UK's economy is in services, yet the current SIC classification goes back to 2007, and does not reflect how the economy

has developed since that time. It is important to have more regular reviews to keep abreast of developments in the economy.

We have already explained that we regularly conduct analysis to 4-digit SIC, so it is important to have an up-to-date granularity to the SIC classification.

There is evolving policy interest in other aspects of the economy such as ‘green’ sectors, ‘technology’ and ‘night-time activity’ sectors, which have historically not matched onto the SIC classification. It would be welcome if this were possible with the current update to the classification.

From time-to-time we conduct international comparisons, so it is important to have comparable data available.

Consultation options

ISIC and NACE are identical down to the two-digit (division) level. Comparability down to the four-digit level when using ISIC categories will remain possible regardless of any option chosen as groups and/or classes can always be re-aggregated into the ISIC categories from which they were derived.

For reference, the current system in use is Option B, with an additional UK bespoke five-digit level. The continued use of a UK specific fifth digit should be considered alongside each of the options outlined.

Below are the options available for future alignment of UK SIC below the two-digit level. ‘Alignment’ refers to the level of similarity between the chosen option and the existing international frameworks in terms of hierarchical structure.

Within each of the options below, the phrase ‘Not guaranteed’ means that, although the hierarchies described may remain similar after revisions, the level of similarity can not be guaranteed.

• **Option A : Adopt ISIC**

	UK SIC Section Level (Single letter)	UK SIC Division Level (2-digit)	UK SIC Group Level (3-digit)	UK SIC Class Level (4-digit)
ISIC	✓	✓	✓	✓
NACE	✓	✓	Not guaranteed	Not guaranteed

• **Option B: Adopt NACE**

	UK SIC Section Level (Single letter)	UK SIC Division Level (2-digit)	UK SIC Group Level (3-digit)	UK SIC Class Level (4-digit)
ISIC	✓	✓	Not guaranteed	Not guaranteed
NACE	✓	✓	✓	✓

• **Option C: Create bespoke UK groups and classes disaggregated from ISIC categories**

	UK SIC Section Level (Single letter)	UK SIC Division Level (2-digit)	UK SIC Group Level (3-digit)	UK SIC Class Level (4-digit)
ISIC	✓	✓	Not guaranteed	Not guaranteed
NACE	✓	✓	Not guaranteed	Not guaranteed

• **Option D: Create bespoke UK groups and classes disaggregated from NACE categories**

	UK SIC Section Level (Single letter)	UK SIC Division Level (2-digit)	UK SIC Group Level (3-digit)	UK SIC Class Level (4-digit)
ISIC	✓	✓	Not guaranteed	Not guaranteed
NACE	✓	✓	Not guaranteed	Not guaranteed

9. Please identify your first preference for which option the UK should adopt. (Required)

- Option A: Adopt ISIC
- **Option B: Adopt NACE**
- Option C: Create bespoke UK groups and classes disaggregated from ISIC categories
- Option D: Create bespoke UK groups and classes disaggregated from NACE categories

10. Please explain briefly why you have chosen this as your first preference. (Required)

It is valuable to have international comparisons. There is limited scope for this with the US economy, as alignment with the US classification is relatively difficult to do. As our comparisons are more often performed with other European economies, it would be helpful to have alignment with the other European

economies, as they are relatively similar economically to the UK.

11. Please identify your second preference for which option the UK should adopt. (Required)

- I have no second preference
- **Option A: Adopt ISIC**
- Option B: Adopt NACE
- Option C: Create bespoke UK groups and classes disaggregated from ISIC categories
- Option D: Create bespoke UK groups and classes disaggregated from NACE categories

12. Please explain briefly why you have chosen this as your second preference.

The logic is as for the answer to question 10, as it would allow for easier international comparisons.

Option A: Adopt ISIC

The following questions will ask for your opinion on the implementation of each of the four possible options presented.

• **Option A : Adopt ISIC**

	UK SIC Section Level (Single letter)	UK SIC Division Level (2-digit)	UK SIC Group Level (3-digit)	UK SIC Class Level (4-digit)
ISIC	✓	✓	✓	✓
NACE	✓	✓	Not guaranteed	Not guaranteed

13. What impacts or challenges, if any, would this option present to you if it were to be adopted? (Required)

There is a risk that back series on the new classification would be less robust as the mapping from NACE (as now) to ISIC would be less straightforward.

It would reduce the scope for comparing the London and UK economies with other European economies.

14. If ISIC is adopted at the four digit (class) level, should the UK continue to use an additional UK-specific (subclass) level? (Required)

- Yes
- No
- Not sure

15. Please briefly explain your answer.

It would be preferable to have data to an additional subclass, as this is useful sometimes, such as for the science and technology classification.

Option B: Adopt NACE

The following questions will ask for your opinion on the implementation of each of the four possible options presented.

• Option B: Adopt NACE

	UK SIC Section Level (Single letter)	UK SIC Division Level (2-digit)	UK SIC Group Level (3-digit)	UK SIC Class Level (4-digit)
ISIC	✓	✓	Not guaranteed	Not guaranteed
NACE	✓	✓	✓	✓

16. What impacts or challenges, if any, would this option present to you if it were to be adopted? (Required)

This option is less likely to present challenges, as we are familiar with the NACE classification at present. Should we ever run into a situation where another jurisdiction (with which we'd like to compare the London or UK economies) uses ISIC classification, then there is possibility we would need to map NACE to ISIC to ensure comparability, but it's a minimal risk.

17. If NACE is adopted at the four digit (class) level, should the UK continue to use an additional UK-specific (subclass) level? (Required)

- Yes
- No
- Not sure

18. Please briefly explain your answer.

See answer to question 15.

Option C: Create bespoke UK groups and classes disaggregated from ISIC categories

For the following two options, a UK bespoke system would use either the ISIC or NACE framework as a starting point. This would include the option to create or amend groups or classes to better reflect the UK economy.

- **Option C: Create bespoke UK groups and classes disaggregated from ISIC categories**

	UK SIC Section Level (Single letter)	UK SIC Division Level (2-digit)	UK SIC Group Level (3-digit)	UK SIC Class Level (4-digit)
ISIC	✓	✓	Not guaranteed	Not guaranteed
NACE	✓	✓	Not guaranteed	Not guaranteed

19. What impacts or challenges, if any, would this option present to you if it were to be adopted? (Required)

There is a risk that back series on the new classification would be less robust as the mapping from NACE (as now) to a new classification would be less straightforward.

It would reduce the scope for comparing the London and UK economies with other European and world economies.

20. If national three-digit and four-digit levels were created, should the UK continue to use an additional UK-specific five digit (subclass) level? (Required)

- Yes
- No
- Not sure

21. Please briefly explain your answer.

It would depend on the development of the classification at higher levels. It would be helpful to have the same capability to define activity to the same level of granularity.

Option D: Create bespoke UK groups and classes disaggregated from NACE categories

- **Option D: Create bespoke UK groups and classes disaggregated from NACE categories**

	UK SIC Section Level (Single letter)	UK SIC Division Level (2-digit)	UK SIC Group Level (3-digit)	UK SIC Class Level (4-digit)
ISIC	✓	✓	Not guaranteed	Not guaranteed
NACE	✓	✓	Not guaranteed	Not guaranteed

22. What impacts or challenges, if any, would this option present to you if it were to be adopted? (Required)

There is a risk that back series on the new classification would be less robust as the mapping from NACE (as now) to a new classification would be less straightforward.

It would reduce the scope for comparing the London and UK economies with other European and world economies.

23. If national three-digit and four-digit levels were created, should the UK continue to use an additional UK-specific five digit (subclass) level? (Required)

- Yes
- No
- Not sure

24. Please briefly explain your answer.

It would depend on the development of the classification at higher levels. It would be helpful to have the same capability to define activity to the same level of granularity.

25. Is there any other information you would like to submit or make the ONS Classifications team aware of as part of this consultation?

In the introductory section we made some points about introducing a new classification quickly, maintaining back series, and the development of look up

tables.

26. Would you like to be kept up to date about this consultation, including the response to this consultation, engagement activities, or future developments?
(Required)

- Yes
- No