

26 April 2024

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Dear Sir/Madam

Re: Help shape the future of industrial classifications in New Zealand

Background

Thank you for providing the opportunity to comment on StatisticsNZ's *Help Shape the Future of Industrial Classifications in New Zealand* (referred to as 'the Paper').

As mentioned in the Paper, ANZSIC provides the standard framework under which businesses carrying out similar types of activity can be grouped together for analysis and a whole host of other purposes. Over the years, BusinessNZ has used ANZSIC in numerous capacities, including its various layered categories for inclusion in surveys and for analysis breakdown of a number of policy areas, for example, education, employment, skills, and of specific sectors such as the manufacturing and services sectors.

The Paper asks for views on possible options for industry classification in New Zealand, which largely depends on what the Australian Bureau of Statistics (ABS) decides to do once they have completed their second round of investigation. Given the uncertain way forward that StatisticsNZ finds itself in, we agree that an examination of possible future options is warranted.

Overall observations

Drivers for Change

BusinessNZ agrees with the view outlined in the Paper that in order to be useful, classifications must remain relevant. Since the last ANSZIC review took place in 2006, the industrial classification was revised due to technological advancements, globalisation, shifts in consumer behaviour and evolving business models. BusinessNZ only needs to look at the make-up of its broad membership to see these influences over the last two decades. The obvious challenge that New Zealand or any country has in making national changes to industrial (and indeed occupational) classifications will be keeping them consistent with international standards frameworks that are aligned to those classifications. Therefore, we believe an examination of ANZSIC that seeks to ensure a future-focused classification is the right step forward.

The Australian Review

From BusinessNZ's perspective, the most important factor to take into consideration when examining any potential change to how industries are officially classified in New Zealand is the final decisions made by the ABS regarding which classifications they end up choosing for the future.

Australia has already conducted consultation on the ANZSIC06 classification, receiving comprehensive feedback. The general view from submitters was that the benefit of having an updated classification outweighed the initial barriers to implementing a new classification, although implementation concerns raised by some submitters would still need to be worked through.

The consultation they have undertaken has meant that the ABS is currently considering the choice between updating ANZSIC06 or adopting a localised version of the International Standard Industrial Classification (ISIC). Notwithstanding our comments below regarding various options put forward in the Paper, the first step around future options should be predicated on what Australia decides to do. There is simply no point in narrowing down decisions before there is a clear steer from the ABS regarding what their future industry classification will be.

Recommendation: Any narrowing down of future options for New Zealand's Industrial Classification System does not take place until final decisions are made by the Australian Bureau of Statistics.

An Industrial Classification for all New Zealanders

As the Paper currently stands, we believe the discussion around inclusion needs to cover all New Zealanders, regardless of ethnicity. The Paper asks whether the industrial classification is the best vehicle to meet StatisticsNZ's Ao Māori view. However, if we are to examine this viewpoint through the population lens of the next 10+ years, it will be apparent that the full make-up of New Zealand's ethnicity needs to be factored in.

Based on StatisticsNZ's data on the ethnic share of New Zealand's population through to 2043, those who classify themselves as European will still make up around 2/3rds of all New Zealanders through to 2043. However, those who classify themselves as Asian will make up around one-quarter of all New Zealanders by 2038, compared with one-fifth for Māori. In addition, Pacific Peoples will make up 10 percent by the same time period¹.

The Paper mentions that StatisticsNZ intends to engage with Māori on implications and options for ways forward, but contains no mention on how New Zealand's Pasifika or Asian people could be included for further engagement. Although not to the extent of New Zealand's growing Asian population, Australia has also experienced a pick-up in Asian migrants. If New Zealand is to continue with ANZSIC or have some alternative classification that is in some form of alignment with Australia, then StatisticsNZ needs to be cognisant of New Zealand's wider multicultural society.

Overall, we believe an undue focus on just one ethnicity can create an inward-looking, rather than an outward-looking stance when seeking to best use an industry classification going forward, and risks missing opportunities elsewhere that would ensure New Zealand has a durable industry classification for the future.

Recommendation: That any future Industry Classification in New Zealand takes into account the views of all New Zealanders.

ISIC Rev 5 Versus ANZSIC06 & Pathways Towards International Comparability

The Paper discusses similarities and differences between the two broad industry classification options, highlighting possible trade-offs given that each has its own specific degree of detail for certain industry classes.

BusinessNZ acknowledges that the changing nature of industries creates challenges, and we are not in a position to provide in-depth views on detailed class-level differences, nor on how to best meet the challenges. However, we would prefer to see a forward-looking industrial classification that seeks to future-proof emerging sectors than one which is simply chosen due to its ability to minimise discontinuity for the existing dataset. As page 8 of the Paper points out, *"any survey redesign will introduce discontinuities simply by virtue of random selection and sample error."*

Looking ahead, BusinessNZ does not support a New Zealand-specific classification as we do not believe this would provide the best long-term solution for the country's needs. An eye to international comparability is crucial for the future of New Zealand's industries. A New Zealand-centric classification system would risk creating a disconnect between New Zealand and those countries we typically compare ourselves to, particularly Australia which is often the first country we turn to for comparison purposes. There will always be instances of different countries having their own subset of sectors that do not fit squarely within an internationally recognised classification system. However, such sectors are typically the exception rather than the norm, and

¹ StatisticsNZ 'Ethnic share of New Zealand population – median projection 2018 – 2043'.

we would argue that in almost all circumstances, make little difference to the wider picture of New Zealand's industry landscape as it relates to that of other countries.

If the development of a more New Zealand-centric classification were to proceed, we would urge extreme caution in entertaining the idea that sectors in New Zealand might be markedly different from those overseas. At its worst, a myopic view of New Zealand-specific classifications would inhibit, rather than help, policy development relating to needed skills as it would lessen the ability to compare and contrast New Zealand with other countries.

Future Options

Looking ahead, the Paper has outlined six options, namely:

1. Continue to use the ANZSIC06 classification 'as is'.
2. Continue to use the ANZSIC06 classification, with Stats NZ taking sole responsibility for updating the classification to reflect new and emerging industries and topics of interest.
3. Adopt ISIC 'as is'.
4. Adopt ISIC and 'tweak' for a New Zealand context, deviating from the core standard and/or adding extra detail where necessary.
5. Adopt ISIC and 'tweak' for a New Zealand and Australian context.

As stated above, any future decisions need to be first predicated on what Australia decides to do. Therefore, our comments below take into account whether Australia decides to adopt either updating ANZSIC or adopting a localised version of ISIC.

First, whatever happens in Australia, BusinessNZ does not support option 1. While New Zealand still needs a standard classification/framework for industries as a whole host of reasons, we do not believe the ANZSIC06 system as it stands fully meets current or future demands.

Option 2 is predicated on the fact that Australia continues to use ANZSIC06 as well, so that responsibility is shared regarding updating the classification.

The viability of options 3 and 4 is based on a few scenarios. If Australia decides to adopt some version of ISIC, then adopting ISIC 'as is' is a possibility, although the fact that some industries that are important in New Zealand may not be visible means it may not be the most optimal option going forward. Therefore, option 4 becomes more of a possibility given it addresses the need for recognition of particular industry classifications in both countries. However, if Australia decides to go down the route of updating ANZSIC06, on balance we would not support options 3 and 4.

Last, from our perspective there is a similarity between options 4 and 5 given the proviso of Australia adopting ISIC. However, our interpretation of what the Paper outlines is that option 5 provides a greater opportunity for collaboration and comparability with Australia when updating the industrial classification for both countries.

Overall, whatever option is chosen, there are clear costs and benefits that need to be carefully weighed up, particularly around options 3-5. Once Australia has made a decision, that should provide greater clarity. However, we reiterate the view that New Zealand should not simply go it alone.

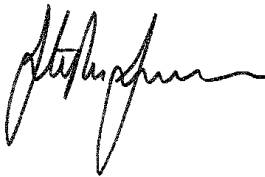
Next Steps

We acknowledge the point that the speed of change in this space may not be as fast as some are wanting, particularly when New Zealand is somewhat dependent on what another country decides to do. Most likely, any changes will represent a major revision, which could mean a project beyond a full year that once complete would still not be properly reflective of the contemporary labour market.

After taking account of other submitters' views, we believe StatisticsNZ needs to provide interested parties with a revised options paper that sets out a small number of options (no more than three), each recognising the final decisions made in Australia.

Thank you for the opportunity to comment, and we look forward to next steps.

Kind regards,



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Economist
BusinessNZ