



Purpose of the classification of economic activities

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Abstract:

The classification of economic activities is a basic working tool for structuring, analysing and presenting statistical information. As such, it is a fundamental component of the System of National Accounts (SNA). It allows classification of statistical units according to their main economic activity and their aggregation into coherent groups. Although primarily intended as stratification variable for statistical purposes, it is increasingly used by many administrative bodies for various non-statistical purposes, which may be considered as alienation from its main purpose and in turn may lead to biases in statistical classifications. This raises the question of how to ensure classification systems meet not only statistical but also administrative, fiscal and legal needs and whether the (national) classification of economic activities should be adapted accordingly.

In Switzerland, the national classification of economic activities (NOGA¹) is not based on a national law. Nevertheless, it has been used for administrative purposes for some time and has gained political importance in the wake of the Covid-19 pandemic. Through the analysis of various requests received from a wide range of business stakeholders, several examples of non-statistical application of the classification in Switzerland could be identified, such as defining quotas for third-country workers, setting insurance premiums, granting energy tax concessions or determining eligibility for state subsidies due to revenue shortfalls in the frame of Covid-19.

The administrative use leads, among other difficulties, to an increasing trade-off between policy decisions and statistical analysis. These difficulties could be addressed as part of the ongoing NACE and ISIC review: extending the scope of the current classification, establishing a new classification for administrative needs or providing additional information in the guidelines for public/private entities about the limits of using the classification of economic activities to grant, e.g. subsidies. These approaches should ideally be coordinated at the international level with the respective statistical institutions. In conclusion, the classification of economic activities, when used for administrative purposes, should in any case not constitute the only basis for decision-making, but rather be used in conjunction with other indicators.

Keywords:

Classifications; Administrative use; Covid-19; State subsidies; policy decisions

¹ The *Swiss General Classification of Economic Activities* ([NOGA](#)) is part of the international integrated system of economic classifications. It is based on the *International Standard Industrial Classification of all Economic Activities* ([ISIC](#)) and the *Statistical Classification of Economic Activities in the European Community* ([NACE](#)). Since these classifications are all closely linked, internationally comparable economic statistics can be produced.