

2002 NORTH AMERICAN INDUSTRY CLASSIFICATION SYSTEM (NAICS)

NAICS represents one of the most profound changes for statistical programs focusing on emerging economic activities. NAICS, developed using a production-oriented conceptual framework, groups establishments into industries based on the activity in which they are primarily engaged. Establishments using similar raw material inputs, similar capital equipment and similar labor are classified in the same industry. NAICS focuses on how products and services are created. This approach creates more homogeneous categories that are better suited for economic analysis and yields significantly different industry groupings than those produced by the Standard Industrial Classification (SIC) approach. The NAICS development process was not an update of the SIC system; rather, from a fresh starting point, its developers could establish new categories reflecting the structure of the modern economy. Data users will be able to work with new NAICS industrial groupings which better reflect the workings of the U.S. economy, and will be able to track specific industries and analyze the effects of changes in industrial production process.ⁱ

NAICS uses a hierarchical structure. It uses a six-digit classification code that allows greater flexibility in the coding structure. The first two digits of the six digit code designate the highest level of aggregation, with 20 such two-industry sectors. Three NAICS sectors include more than one 2-digit identifiers. Manufacturing includes codes 31-33, Retail trade comprises 44-45, and Transportation and warehousing encompasses 48-49. The third digit represents the subsector. The fourth digit of the NAICS code represents the industry group level. The fifth digit in the NAICS code represents the international-industry level. In most cases, there will be comparability between classifications of the United States, Canada, and Mexico at the five-digit level. The sixth digit designates national detail. This allows the flexibility to create more in depth statistics for the industries that hold particular importance in each country. Most six digit industries end in a zero, thus signifying that there is no additional detail below the five digits. However, some six-digit industries end in a number other than zero, meaning that the fifth digit was split into two or more U.S. industries.ⁱⁱ (Due to confidentiality issues in the Hawaii data tabulations, this six digit level detail is only visible in the Accommodation and Food Services Sector.)

In addition to the new groups, or sectors, created by the NAICS Manual, the Bureau of Labor Statistics (BLS) and its partner agencies have further assembled NAICS sectors, extending the sector structure upwards. These extensions aggregate the individual NAICS sectors into supersectors, and above this supersector level are two more aggregations, the commonly used domain known as *goods-producing* and *service-providing*. Domains and supersectors will be used when sufficient data do not exist to publish at the sector level.ⁱⁱⁱ

NAICS recognizes hundreds of new businesses in the economy, largely in the fast-growing services sector. There is increased detail in services, with new sectors such as *Information; Professional, Scientific, and Technical Services; and Administrative and Support, Waste Management and Remediation Services*. There is a new *Accommodation and Food Service Sector* that, as its name implies, combines accommodation (hotels) with food service as opposed to the SIC system where food service was included with retail trade.

Another new sector of interest is *Management of Companies and Enterprises*. This sector is comprised of establishments engaged in managing the activities of other corporate units. Since NAICS classifies establishments based on what they actually do, business, organizations and institutions are given the industry code of their main activity without regard to the parent company.^{iv} Auxiliary establishments which provide services such as warehousing, personnel, or data processing to other organizations within the same company are classified according to the services they provide.

NAICS will require revisions to reflect the dynamic changes occurring in the economy. Future revisions may focus on reaching comparability in areas of the classification system that are not agreed upon at the five-digit level. Regardless small modifications and interpretations will be studied and implemented on a continuous basis.

Users interested in more information about NAICS can access the Bureau of the Census Web site at <http://www.census.gov/epcd/www/naics.html>. In late 2002, BLS will provide ratio tables that can be used to convert historic SIC series to a NAICS basis at <http://www.bls.gov/cew/home.htm>. The NAICS 2002 manual is available from the National Technical Information Service (NTIS) Web page at <http://www.ntis.gov/>.

ⁱ See David R. H. Hiles, “A first look at employment and wages using NAICS”

ⁱⁱ See James A. Walker and John B. Murphy, “Implementing the North American Industry Classification System at BLS”

ⁱⁱⁱ See David R. H. Hiles, “A first look at employment and wages using NAICS”

^{iv} See David R.H. Hiles, “A first look at employment and wages using NAICS”

“A first look at employment and wages using NAICS” and “Implementing the North American Industry Classification System at BLS” are articles on the Monthly Labor Review, December 2001 issue. *Monthly Labor Review* is the principal journal of fact, analysis, and research from the [Bureau of Labor Statistics](#), an agency within the [U.S. Department of Labor](#).