

North American Industrial Classification System (NAICS)

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Issue

Describe NAICS, including who uses it and how, and any limits on disclosing its data to the public.

What is NAICS?

As the name suggests, NAICS (pronounced “Nakes”) is the classification system the North American nations (Canada, Mexico, and the United States) use to classify the places or locations (i.e., “establishments”) where business enterprises produce goods or deliver services. An establishment can be a factory, office building, department store, warehouse, farm, or mine. It may also be one of several locations owned by a single business enterprise. For example, Pratt and Whitney operates establishments in East Hartford, Middletown, and other locations.

NAICS classifies establishments based on how they produce goods or deliver services. “NAICS uses a production-oriented conceptual framework to group establishments into industries based on activity in which they are primarily engaged. Establishments

From Standard Industrial Classification (SIC) Codes to NAICS

SIC and NAICS are systems for classifying business establishments. SIC was developed during the 1930s to classify manufacturers and other types of businesses based on their products and services.

Although SIC was periodically revised, users felt it was outmoded and out of sync with the economy’s industrial makeup, particularly the growth of information technology, health care, and various service types. NAICS, which replaced SIC, was adopted in 1997 to address these issues by grouping establishments that do similar things in similar ways.

using similar raw material inputs, similar capital, equipment, and similar labor are classified in the same industry,” the U.S. Bureau of Labor Statistics [explained](#). The framework allows researchers to uniformly gather, tabulate, compare, analyze, and present establishment data.

Who developed NAICS, and how often is it revised?

NAICS was developed by the federal, interdepartmental Economic Classification Committee, which the Office of Management and Budget (OMB) established in 1993 to reexamine the Standard Industrial Classification (SIC) system (see sidebar). The committee was chaired by the Commerce Department’s Bureau of Economic Analysis and included representatives of the Census Bureau and Bureau of Labor Statistics. It developed NAICS in cooperation with the Canadian and Mexican governments, and was adopted by OMB in 1997 to replace SIC. The committee revises the code every five years. (The last revision was in 2017.)

Who uses NAICS and for what purpose?

Public, private, and nonprofit organizations use NAICS to collect, analyze, and present economic statistics on business establishments, including their type, employment, and sales. Some also use NAICS for various nonstatistical purposes, such as determining whether a business establishment qualifies for economic development tax incentives.

How is NAICS structured?

NAICS is structured hierarchically, dividing business establishments into smaller and smaller groups of increasingly similar establishments. NAICS’s coding system reflects this structure, which consists of five levels. At the top level, establishments are grouped according to the 20 major industry sectors that comprise the North American economy, with each sector assigned a unique two-digit code. (Attachment 1 lists these major industry sectors.)

The establishments that comprise each major industry sector are further divided into sublevels consisting of smaller groupings of increasingly similar establishments. The code for the establishments at each sublevel begins with their two-digit major industry code plus an additional digit for each sublevel. The smallest subdivisions (i.e., the fifth level) have six-digit codes reflecting the groupings that are unique to each nation (i.e., national industry code).

Table 1 lists the NAICS codes for certain subsectors of the Finance and Insurance Industry Sector.

Table 1: NAICS Two- to Six-Digit Code Structure for the Finance and Insurance Industry Sector

Level	Code Structure	Example
1: Major Industry Sector	Two-digit	52: Finance and Insurance
2: Subsector	Three-digit	524: Insurance Carriers and Related Activities
3: Industry Group	Four-digit	5241: Insurance Carriers
4: NAICS Industry	Five-digit	52411: Direct Life, Health, and Medical Insurance Carriers
5: National Industry	Six-digit	524113: Direct Life Carriers

Figures 1 and 2 graphically illustrate NAICS’s multilevel code structure, using the Finance and Insurance Sector as an example. As Figure 1 shows, the establishments that comprise this sector are divided into five, level two subsectors. The establishments that comprise the level two sectors are further subdivided into industry groups, although the figure shows only the level three industry groups for the “Securities, Commodity Contracts, and Other Financial Investments and Related Activities” subsector (523).

Figure 1: Finance and Insurance Industry Sector Classification Structure: Levels 1-3

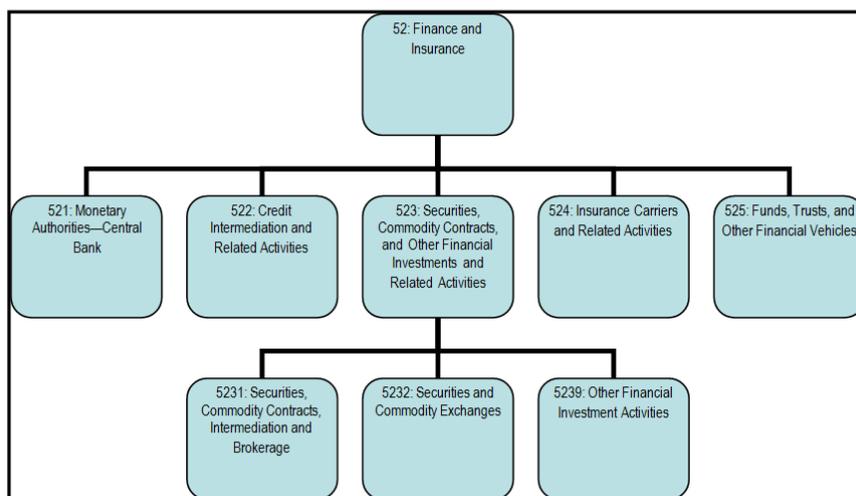
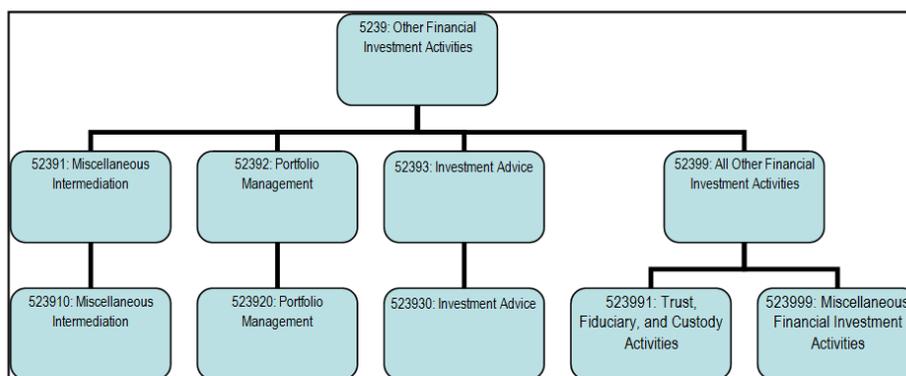


Figure 2 shows the level four and five subsectors for “Other Financial Investment Activities” Industry Group (5239). The establishments that comprise this group are subdivided into four “NAICS groups.” The level four “All Other Financial Investment Activities” Industry NAICS group is further subdivided into two “national industry groups”: 523991, “Trusts, Fiduciary, and Custody Activities,” and 523999, “Miscellaneous Financial Investment Activities.”

Figure 2: Finance and Insurance Industry Sector Classification Structure: Levels 3-5



Who assigns NAICS codes to business establishments?

Unlike social security numbers, which only the Social Security Administration assigns to individuals, there is no central agency that assigns, monitors, or approves NAICS codes for establishments. According to the U.S. Census Bureau, various federal agencies maintain their own directories of business establishments, and assign classification codes based on their own needs.

The bureau assigns an NAICS code to establishments to collect, tabulate, analyze, and disseminate economic data based on the information it receives from businesses about the primary activity occurring at their establishments. “Other government agencies, trade associations, and regulatory boards adopted the NAICS classification system to assign codes to their own lists of establishments for their own programmatic needs,” the bureau states. Consequently, agencies could assign different codes to the same establishment.

A business that disagrees with the code an agency assigns to its establishment must contact that agency, because the Census Bureau has no authority to arbitrate NAICS code assignments. A business that wants a new NAICS code for the activities conducted at an establishment must contact the Economic Classification Committee.

Can the federal government disclose information that identifies a business establishment assigned a NAICS code?

No. Under federal law, a federal agency cannot disclose information that identifies people or organizations (i.e., respondents) from which it requested information for exclusively statistical purposes under a pledge to keep their identity confidential. Such purposes include sorting, aggregating, and disseminating data to describe, estimate, or analyze group characteristics without identifying individual group members. The agency may disseminate such data and information about the methods, procedures, and information resources used to gather and present the data ([P.L. 107-347, §§ 501-511](#)).

Another law imposes a similar ban on the federal Commerce Department and its organizational units, including the Census Bureau. It not only bans the department from disclosing information that could identify a respondent but also bans it from presenting statistical information that could have the same effect. This could happen, for example, if the Census Bureau prepares a statistical report about the different types of establishments in an area that includes only one establishment in a specific NAICS category ([13 U.S.C. § 9\(a\)](#)).

Attachment 1: NAICS Industry Sector Codes

Sector Code	Description
11	Agriculture, Forestry, Fishing and Hunting
21	Mining, Quarrying, and Oil and Gas Extraction
22	Utilities
23	Construction
31-33	Manufacturing
42	Wholesale Trade
44-45	Retail Trade
48-49	Transportation and Warehousing
51	Information
52	Finance and Insurance
53	Real Estate and Rental and Leasing
54	Professional, Scientific, and Technical Services
55	Management of Companies and Enterprises
56	Administrative and Support and Waste Management and Remediation Services
61	Educational Services
62	Health Care and Social Assistance
71	Arts, Entertainment, and Recreation
72	Accommodation and Food Services
81	Other Services (except Public Administration)
92	Public Administration

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