

Changes in Measuring Employment

North American Industrial Classification System (NAICS) Code, Major Categories

Goods-producing

Agriculture, forestry, fishing, and hunting

Mining

Utilities

Construction

Manufacturing

Service-providing

Wholesale trade

Retail trade

Transportation and warehousing

Information

Finance and insurance

Real estate, rental, and leasing

Professional, scientific, and technical services

Administrative, support, waste management, and remediation services

Educational services

Health care and social assistance

Arts, entertainment, and recreation

Accommodation and food services

Other services (except public administration)

Public administration

Standard Industrial Classification (SIC) Code, Major Categories

Goods-producing

Agriculture, forestry, and fishing

Mining

Construction

Manufacturing

Service-producing

Transportation, communications, and public utilities

Wholesale trade

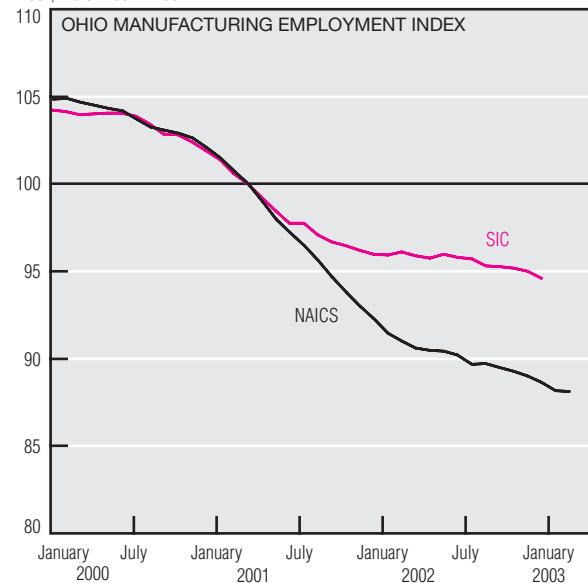
Retail trade

Finance, insurance, and real estate

Services

Government

Index, March 2001 = 100



SOURCE: U.S. Department of Labor, Bureau of Labor Statistics.

The Bureau of Labor Statistics is in the process of changing its reporting of employment figures to conform to the North American Industry Classification System (NAICS), which will replace the Standard Industrial Classification (SIC) system. This conversion is expected to be complete by May; the June 6, 2003 employment release will report all industry data for the nation and the states under NAICS codes.

The SIC system was developed in the 1930s, when manufacturing and other goods-producing industries dominated the U.S. economy.

Although the SIC codes were revised over the intervening decades in an effort to capture changes in the economy's structure, the system has not been able to reflect rapid-fire changes in areas such as information services, health care, and high-tech manufacturing.

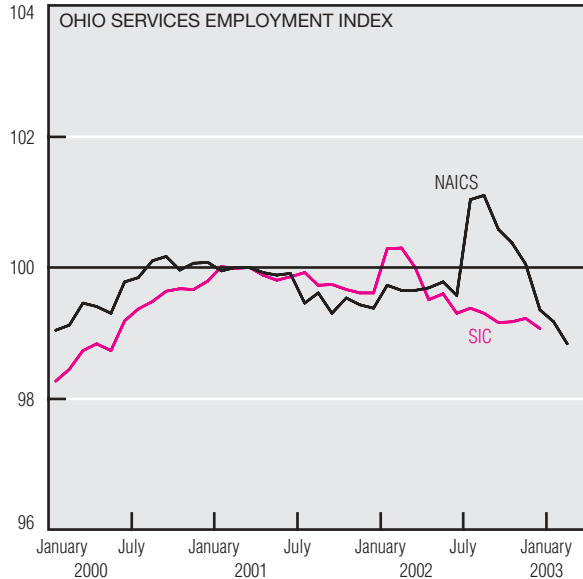
The NAICS system was developed in cooperation with Canada and Mexico to create a uniform classification system for North America (a result of the NAFTA trade agreement). NAICS consists of a six-digit hierarchical classification system and identifies 1,170 industries, compared to the 1,004

industries recognized in the four-digit SIC system. NAICS not only recognizes more industries, it also revises the definition of more than 600 of the SIC industries to reflect their nature more accurately. For example, under the SIC system, computer manufacturing was not an individually recognized industry at the aggregate level; it was lumped with other industries in the industrial machinery and equipment category (35). Under NAICS, computer manufacturing is its own industry, computer and electronic product manufacturing (334); combined with

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Changes in Measuring Employment (cont.)

Index, March 2001 = 100



Ohio

	Percent change	
	Jan.—Feb. 2003	Feb. 2002—Feb. 2003
Nonfarm employment	-0.2	-1.2
Goods-producing	-0.5	-3.0
Construction	-1.9	-2.1
Manufacturing	-0.1	-3.2
Service-providing	-0.2	-0.8
Trade, transportation, and utilities	0.3	-0.7
Information	-0.5	-4.2
Financial activities	0.1	-0.6
Professional and business services	-0.3	-0.4
Education and health services	-0.2	0.6
Leisure and hospitality	-0.1	-2.4

Pennsylvania

	Percent change	
	Jan.—Feb. 2003	Feb. 2002—Feb. 2003
Nonfarm employment	0.0	-0.4
Goods-producing	-0.1	-3.9
Construction	0.5	-0.8
Manufacturing	-0.3	-4.8
Service-providing	0.0	0.3
Trade, transportation, and utilities	-0.6	-1.8
Information	-0.4	-1.3
Financial activities	0.0	0.6
Professional and business services	-0.9	-2.1
Education and health services	0.4	2.6
Leisure and hospitality	0.6	2.2

Kentucky

	Percent change	
	Jan.—Feb. 2003	Feb. 2002—Feb. 2003
Nonfarm employment	-0.3	0.1
Goods-producing	-0.9	-2.8
Construction	-3.3	-0.9
Manufacturing	-0.2	-2.8
Service-providing	-0.1	0.8
Trade, transportation, and utilities	0.5	-1.8
Information	-0.6	-0.9
Financial activities	-0.3	2.6
Professional and business services	-0.3	1.7
Education and health services	0.8	4.3
Leisure and hospitality	-0.2	3.9

SOURCE: U.S. Department of Labor, Bureau of Labor Statistics.

machinery manufacturing (333), it comprises most of the SIC's old industrial machinery category. As is clear from examining the major categories, the service-producing sector is more clearly delineated under NAICS than it was under the SIC system.

The transition from SIC to NAICS does not change an economy's aggregate number of jobs in any given month, but the accounting change does affect individual industries and will alter the way we view our economy. A good example of this change is the manufacturing industry in Ohio. Under the SIC classification, Ohio's

manufacturing lost roughly 5% of total employment between the recession's March 2001 onset and December 2002. NAICS data, however, show a loss of more than 12% of Ohio's manufacturing jobs over that period. In the case of the services industry, there are substantial short-run deviations between the two classification systems.

The change in classification codes is already complete for three of the states in the Fourth District: Ohio, Pennsylvania, and Kentucky (the Bureau of Labor Statistics revised past data to reflect NAICS classifications in order to allow historical comparisons

in employment). The data show that goods-producing sectors in every Fourth District state continue to struggle; in all of these states, goods producers posted much larger year-over-year employment losses in February than did their service-providing counterparts. Although employment in Ohio's service-providing sector declined slightly, the sector showed modest gains in Pennsylvania and Kentucky. Education and health services, formerly encompassed in the SIC's generic "services" category, enjoyed year-over-year employment gains in all three states.