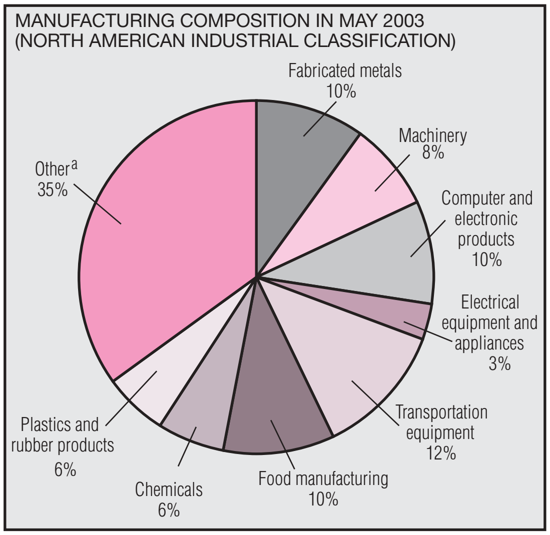
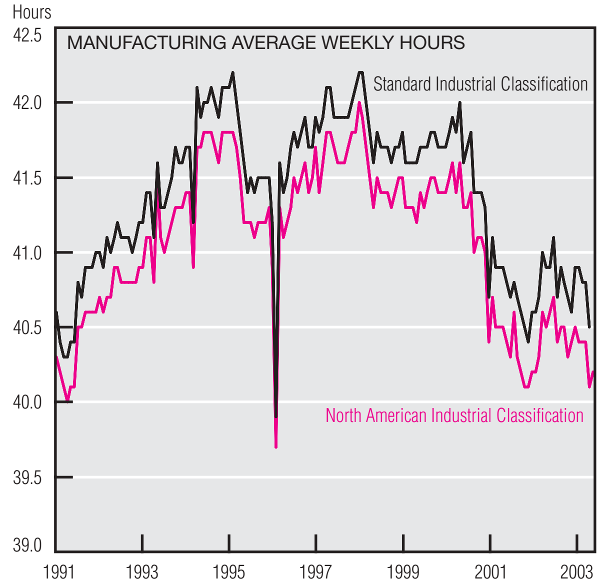
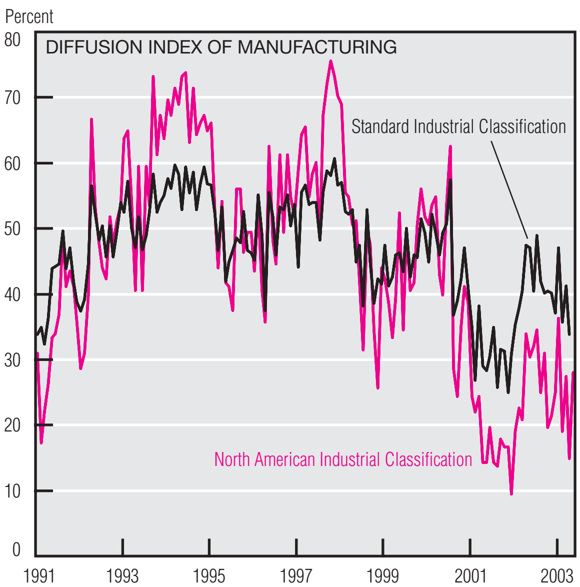
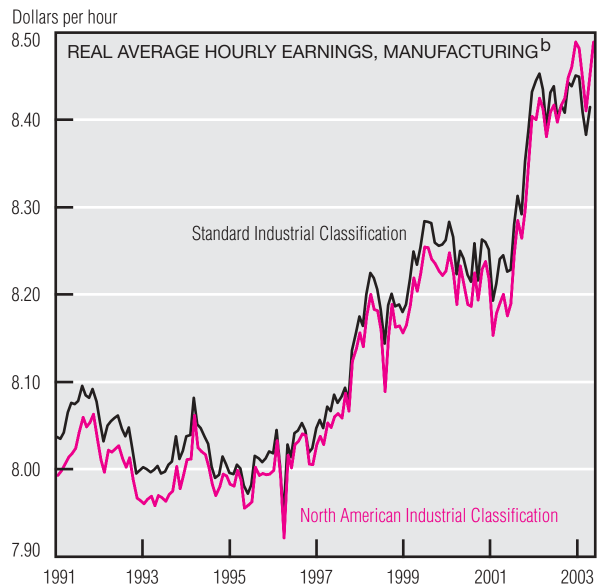
A New Industrial Classification System









NOTE: All data are seasonally adjusted.

a. "Other" includes wood products, nonmetallic mineral products, primary metals, furniture and related products, miscellaneous, beverage and tobacco products, textile mills, textile product mills, apparel, leather and allied products, paper and paper products, printing and related support activities, and petroleum and coal products.

b. Real average hourly earnings in constant 1982 dollars calculated using the CPI for urban wage earners and clerical workers (CPI-W).

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

The conversion from the Standard Industrial Classification (SIC) to the North American Industrial Classification (NAICS) took effect in June, creating major definitional changes for the industries previously reported under the SIC. The conversion includes reorganizing the manufacturing and service sectors, creating an information sector, and redefining wholesale and retail. These changes have led to some large quantitative differences. To allow comparison of the two series, the Bureau of Labor Statistics has constructed the NAICS series going back to 1939.

The NAICS is a six-digit hierarchical classification system that identifies 1,170 industries (compared to 1,004 in the SIC) and divides these industries into 20 sectors (compared to 10 in the SIC). The manufacturing sector is now divided into 21 subsectors. This May, transportation equipment had the largest share in the composition of manufacturing employment (12%), followed by food (10%) and computer and electronic products (10%). Under the SIC, computer and electronic products was not recognized as an individual industry; it was lumped together with other industries in the industrial and machinery category.

Transferring some SIC industries from the NAICS manufacturing sector has caused a decline in the average number of hours reported. In addition, the new manufacturing sector appears more volatile, at least in terms of the Employment Diffusion Index. Using the NAICS rather than the SIC, this sector looked stronger in the mid-1990s but much weaker during the current recession.

Real average hourly earnings are quite similar under the two classifications; however, earnings measured under the NAICS are now higher than under the SIC.