

*Behind the Numbers* takes a look at specific measures or indicators to provide a better understanding of what the data for the indicators mean, how data are used and where you can get them.

# Behind the Numbers Industries

## Dictionary definition

Webster defines an industry as “a department or branch of a craft, art, business, or manufacture” or “a distinct group of productive or profit-making enterprises.”

In daily conversation, this “department or branch” can be of various sizes, depending on what the speaker is trying to convey.

For example, we can talk of the manufacturing “industry,” the food “industry,” and even the snack food “industry.” But if we want to compare multiple industries using data, we must define industry precisely so that we are comparing apples to apples.

## North American Industry Classification System (NAICS)

Industries are currently categorized according to the North American Industry Classification System (NAICS).

First, NAICS classifies businesses

### What is an industry?

A group of related businesses.

### How is industry data collected?

Most industry data is compiled from direct surveys of businesses.

### What types of industry data are collected?

Typically, number of businesses, number of employees, payroll, receipts/sales.

### Where can I get it?

Primarily the U.S. Census Bureau, U.S. Bureau of Labor Statistics, U.S. Bureau of Economic Analysis and Pennsylvania Department of Labor and Industry.

### When to use it:

As one measure to track how a community is faring economically.

and employees into 20 groupings, an unclassified category. See the box called “sectors,” plus auxiliaries<sup>1</sup> and below.

## NAICS Sectors

- Agriculture, Forestry, Fishing and Hunting
- Mining
- Utilities
- Construction
- Manufacturing
- Wholesale Trade
- Retail Trade
- Transportation and Warehousing
- Information
- Finance and Insurance
- Real Estate and Rental and Leasing
- Professional, Scientific, and Technical Services
- Management of Companies and Enterprises
- Administrative and Support and Waste Management and Remediation Services
- Educational Services
- Health Care and Social Assistance
- Arts, Entertainment, and Recreation
- Accommodation and Foodservices
- Other Services (except Public Administration)
- Public Administration
- Auxiliaries, except corporate, subsidiary, and regional managing offices
- Unclassified Establishments

<sup>1</sup> Auxiliaries are establishments primarily engaged in providing support services. Characteristically, they serve only locations of the same enterprise and generally do not produce any products or provide services for the public, other business firms or government.

Sectors have a two-digit numerical code to identify them. Sectors are then broken down into 96 subsectors (three digits), which divide into 311 industry groups (four digits) and further into 721 industries (five digits). A sixth digit is added for a national industry. In other words, each level of specificity adds a digit to the code. To see how this works, take a look at the sample industry described in the box below.

According to the sample, the true “industry” is passenger car rental and leasing, a very specific type of business. But these specific industries are so small that we generally want to speak about and compare larger groups, usually at the sector level. Because of this, sectors are commonly referred to as industries.

Frequently, organizations define an industry by aggregating pieces of various NAICS industries. This is done for a number of reasons, such as to examine the newly defined industry’s economic impact on an area or address new employment opportunities. One example of this aggregated definition is the high-tech industry, which is defined differently by many organizations, depending on their purpose. High-tech, for the Pennsylvania Department of Community and Economic Development (DCED), is defined by the American Electronics Association and includes NAICS industries from the manufacturing, information, and various service sectors. DCED wanted to define high-tech businesses to focus economic development initiatives for those businesses. Another example of an aggregated industry is the health care industry, which might include the research, manufacturing, and sales of pharmaceuticals, along with the health care portion of the health care and social service sector.

These definitions serve a clear purpose when they stand alone, but care must be taken not to make comparisons with other industries since pieces of them can overlap and make the data conflict. In other words, we could not say whether the high-tech or the health care industry employs more workers since pharmaceutical research employees might be included in both.

### Sample Industry

	<b>Code</b>	<b>Description</b>
<b>Sector</b>	<b>53</b>	<b>Real Estate, Rental and Leasing</b>
<b>Subsector</b>	<b>532</b>	<b>Rental and Leasing Services</b>
<b>Industry group</b>	<b>5321</b>	<b>Automotive Equipment Rental and Leasing</b>
<b>Industry</b>	<b>53211</b>	<b>Passenger Car Rental and Leasing</b>
<b>U.S. Industry</b>	<b>532112</b>	<b>Passenger Car Leasing</b>