

EMPLOYMENT AND TRAINING ADMINISTRATION ADVISORY SYSTEM U.S. DEPARTMENT OF LABOR Washington, D.C. 20210	CLASSIFICATION Unemployment Insurance
	CORRESPONDENCE SYMBOL DUIO
	DATE September 20, 2011

ADVISORY: UNEMPLOYMENT INSURANCE PROGRAM LETTER NO. 31-11

TO: STATE WORKFORCE AGENCIES

FROM: JANE OATES *Jane Oates*
 Assistant Secretary

SUBJECT: Changes to the North American Industry Classification System (NAICS) Codes for Calendar Year 2012

1. Purpose. This Unemployment Insurance Program Letter (UIPL) provides information to state workforce agencies about changes to NAICS coding for calendar year 2012 and requests that states update industry codes on employer unemployment insurance (UI) accounts.

2. References. UIPL No. 09-01, Required Preparations for Final Implementation of the North American Industry Classification System (NAICS) Coding; Federal Register Notice, May 12, 2010, Vol. 75, No.91; Federal Register Notice, August 17, 2011, Vol. 76, No. 159.

3. Background. NAICS is a system for classifying establishments (individual business locations) by type of economic activity in Canada, Mexico and the United States. Its purposes are: (1) to facilitate the collection, tabulation, presentation, and analysis of data relating to establishments, and (2) to promote uniformity and comparability in the presentation and analysis of statistical data describing the North American economy. NAICS is used by Federal statistical agencies that collect or publish data by industry. States must have NAICS codes on their files for the Bureau of Labor Statistics' (BLS) Quarterly Census of Employment and Wages (QCEW) program, as well as for other statistical and reporting programs.

To ensure the relevance, accuracy, and timeliness of the classifications, NAICS is reviewed every five years to determine what, if any, changes are required. Such a review has recently been completed, and revisions to NAICS codes have been made for 2012. Herein the new codes are referred to as "NAICS 2012." The BLS QCEW program, also known as the ES-202, has implemented NAICS 2012 for the first quarter of 2011. Consequently, all state workforce agencies must convert NAICS codes on existing UI accounts to new NAICS 2012 codes and code new UI accounts based on NAICS 2012 codes as soon as possible in 2011.

4. Information. Prior to NAICS 2012, NAICS codes were summarized in the 2007 U.S. NAICS manual. The 2007 codes are available on the Web site for the U.S. Census Bureau at <http://www.census.gov/eos/www/naics/>.

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The 2012 NAICS United States Manual will be available in early 2012. The manual will include definitions for each industry, background information, changes between 2007 and 2012, and a comprehensive index. The Web site for the U.S. Census Bureau currently provides an Excel worksheet that summarizes NAICS 2012 codes. To access the worksheet, click "2012 NAICS Structure" at <http://www.census.gov/eos/www/naics/>. This list of codes should be used as a validation mechanism to ensure that only these codes are assigned to UI accounts for employers in state UI tax files on computer systems. NAICS codes that are not listed on the worksheet should be treated as invalid and rejected from state UI tax files.

The attachment to this UIPL, "Summary of NAICS 2012 Changes," summarizes changes from 2007 to 2012.

5. Implementation. State Labor Market Information (LMI) staff or other state staff involved in industry classification have received NAICS 2012 codes previously and have converted all codes on LMI files for the QCEW report to NAICS 2012. States that maintain industry codes on UI tax files (as opposed to LMI files) must ensure that codes on UI tax files are NAICS 2012 and that they agree with codes on LMI files for the same employer. This means that state UI tax staff must convert existing UI accounts on tax systems to the new NAICS 2012 codes and begin coding all new UI accounts for employers on a NAICS 2012 basis as soon as possible in 2011.

State UI tax staff seeking guidance for assigning new 2012 NAICS codes should consult and work cooperatively with their state LMI office or other state staff involved in industry classification coding to ensure that the coding is consistent, accurate, and timely.

A number of states use industrial classification to establish both new and maximum employer tax rates. NAICS for 2012 includes changes that may affect the assignment of UI tax rates in these states. Therefore, states that assign tax rates based on industry coding should be cognizant of these changes.

6. Action Requested. State Administrators are requested to provide copies of this UIPL to appropriate staff.

7. Inquiries. Questions should be directed to the appropriate Regional Office.

8. Attachment. Summary of NAICS 2012 Changes

Summary of NAICS 2012 Changes

Summary of NAICS 2007

Includes:

1. 1,175 NAICS codes
2. 1,194 BLS codes - Includes Residential/Nonresidential in Subsector 238 – Specialty Trade Contractors
3. 1,192 BLS published codes - Excludes 112130, Dual-Purpose Cattle Ranching and Farming, and 541120, Offices of Notaries

Summary of NAICS 2012

Includes:

1. 1,065 NAICS codes
2. 1,084 BLS codes - Includes Residential/Nonresidential in Subsector 238, Specialty Trade Contractors
3. 1,082 BLS published codes - Excludes 112130, Dual-Purpose Cattle Ranching and Farming and 541120, Offices of Notaries

Summary of Changes to NAICS 2012

1. Creation of Alternative Energy Industries

Four new 6-digit industries will be added in the Utilities sector. The new industries are: Solar Electric Power Generation, Wind Electric Power Generation, Geothermal Electric Power Generation and Biomass Electric Power Generation.

2. Reduction of Manufacturing

The number of 6-digit NAICS industries will be reduced by 108. The majority of these reductions will be achieved by aggregating 6-digit industries up the existing 5-digit level.

3. Clarification of Retail Trade

Nine 6-digit NAICS industries will be combined into 3 new industries, for a reduction of six retail trade industries. These include Motorcycle, ATV, and All Other Motor Vehicle Dealers, Electronic stores, and Fuel dealers.

4. Clarification of Fireproofing Activities

Fireproofing of buildings and flooring will be moved into Non/Residential drywall and insulation contractors.

5. Clarification of Wholesale Trade

- The wholesale of electric water heaters will be classified in 423720 Plumbing and Heating Equipment and Supplies (Hydronics) Merchant Wholesalers.
- The wholesale of gas appliances will be reclassified in 423620 Household Appliances, Electric Housewares, and Consumer Electronics Merchant Wholesalers.

6. Renumbering Food Services

Four industries are renumbered to new 2012 codes. The definitions are not changing.

7. Clarification of Outsourcing Manufacturing Activities

Provide guidance for classifying establishments that outsource 100 percent of the transformation process. Factoryless goods producer (FGP)—owns the intellectual property or design – and will be classified in the Manufacturing sector.

8. Clarification of Distribution Centers, Logistics Services Providers, and Publisher's Sales Offices

- Publisher's sales offices will be classified in the Information sector.
- Distribution centers will be classified in Warehousing and Storage.
- Logistics service providers will be classified based on the primary industrial activity of the establishment.

9. Title Changes

There are 16 title changes that do not change the content of the industry.