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HISTORY OF THE STANDARD INDUSTRIAL CLASSIFICATION

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Standardization of the United States Government Industrial Classification originated in a recommendation on the subject made at an Interdepartmental Conference on Industrial Classification held in 1934. This recommendation, which was transmitted to the Central Statistical Board, suggested that there should be established continuing committee machinery to explore the problems of industrial classification of statistical data.

For some time there was further thinking on this subject, and in 1937 the Central Statistical Board established an Interdepartmental Committee on Industrial Classification "to develop a plan of classification of various types of statistical data by industries and to promote the general adoption of such classification as the standard classification of the Federal Government." This Committee, at its first meeting on June 22, 1937, established a Technical Committee to work on the preparation of the proposed standard classification of industries.

Standardization in this field was an important objective since various agencies collecting industrial data used their own classifications, and thus a given establishment might be classified in one industry by one agency and in another by a second agency. Such a situation made the comparison of industrial data prepared by different agencies difficult and often misleading. For example, production information collected by one agency could not be compared on a sound basis with employment information collected by another, if both did not conform to a standard definition of the industry involved.

The project was designed to classify "industry" in the broad sense of all economic activity; i.e., agriculture, forestry, and fisheries; mining; construction; manufacturing; wholesale and retail trade; finance, insurance, and real estate; transportation, communication, electric, gas, and sanitary services; and services.

The Technical Committee worked first on manufacturing industries, and in June 1938 a list of industries was accepted by the Interagency Committee. This Committee, at the same meeting, discussed coding problems in nonmanufacturing fields, and decided to authorize the establishment of subcommittees of experts in various nonmanufacturing

fields to prepare proposed classifications. The Technical Committee was to: (1) coordinate the work of the various subcommittees; (2) obtain from Federal and state government agencies, trade associations, and research organizations suggestions and criticisms on the drafts of the classification; (3) submit final reports to the Committee; and (4) continue to direct the work of considering from time to time whatever changes were recommended by interested agencies.

The first edition of the Standard Industrial Classification Manual

was put out in duplicated form as follows:

Volume I, Manufacturing Industries

- Part 1 - List of Industries., 1938
- Part 2 - Description of Industries, 1940
- Part 3 - Alphabetic Index of Products, Establishments and Processes, 1939
- Part 4 - Alphabetic Index of Products, Establishments and Processes by Major Groups, 1939

Volume II - Nonmanufacturing Industries

- Part 1 - List of Industries, 1939<
- Part 2 - Description of Industries, 1940
- Part 3 - Alphabetic Index of Products, Establishments, and Services, 1940
- Part 4 - Alphabetic Index of Products, Establishments and Services by Major Groups, 1940

The Manual was prepared by committees of experts in manufacturing and in the various fields covered by nonmanufacturing.

In the preparation of this Classification, the committees were guided by the following general principles:

- (1) The classification should conform to the existing structure of American industry.
- (2) The reporting units to be classified are establishments rather than legal entities or companies.
- (3) Each establishment is to be classified according to its major activity.
- (4) To be recognized as an industry, each group of establishments must have significance from the standpoint of the number of establishments, number of wage earners, volume of business, employment and payroll fluctuations, and other important economic features.

It was decided that atfter the 1939 Standard Industrial Classification had been used a reasonable length of time, it should be reviewed in the light of experience, and appropriate revisions made. The project was sponsored by the Bureau of the Budget, to which the Central Statistical Board had been transferred. Following the review, the first printed edition of Manufacturing Industries was published in 1941 and that of Nonmanufacturing Industries in 1942.

Toward the end of World War II, it was thought advisable to revise the 1941 classification of manufacturing in order to reflect technological advances in industry, and to incorporate changes recommended by users of the classification. As a result, a new edition of Volume I, Manufacturing Industries, of the Standard Industrial Classification Manual was published in two parts: Part 1, Titles and Descriptions of Industries, November 1945; and Part 2, Alphabetic Index, December 1945.

No corresponding revision of Nonmanufacturing was prepared at that time. Such an undertaking was important, however, both to bring this segment of the classification up to date and also to achieve consistency in the handling of borderline cases between Manufacturing and Nonmanufacturing.

This work was undertaken and a revision of Volume II, Nonmanufacturing Industries, was published in 1949. This, as well as the 1945 Manufacturing, was based on the same general principles and prepared with the same type of committee structure as were the earlier issues of the Standard Industrial Classification Manual.

During the period 1951-1953, the Technical Committee accepted some revisicns, primarily to have them available for use in the proposed census covering 1953. Since funds were not appropriated for the census., these changes were never

promulgated.

In 1952, the Advisory Council on Federal Reports, an organization of businessmen who act as advisers to the Bureau of the Budget, undertook a review of the Standard Industrial Classification. For this purpose, there were 27 committees established with approximately 350 members. During a period of two years, these committees prepared their reports and submitted them to the Advisory Council, which in turn submitted them to the Bureau of the Budget.

The reports were considered by the Technical Committee on Standard Industrial Classification, and questions were raised which were referred to the Industry Committees. The answers were furnished either in written form, or in joint Industry Committee-Technical Committee meetings. The reports were then reconsidered by the Technical Committee, and decisions on the revised Classification were made. In arriving at decisions, results of the 1954 Census of Manufactures were used to a considerable extent.

The proposed revision of the Classification was cleared with government agencies, the Industry Committees; and various research, trade, and labor organizations. Additional changes were made on the basis of this clearance, and on the basis of a series of conferences with industry representatives who requested them.

The revised Standard Industrial Classification, combining both manufacturing and nonmanufacturing industries into one book, was published in July 1957.

A review of the 1957 edition of the Manual, based on data from the 1957 Economic Censuses for all in-scope industries, and appropriate data from the records of the Social Security Administration, Bureau of Labor Statistics, and Bureau of Employment Security for all out-of-scope industries was completed in 1962. Amendments adopted as the result of this review were incorporated in a supplement to the 1957 edition, published in 1963.

Data from the 1963 Economic Census, and other appropriate sources were utilized for the 1965-66 review of the 1957 edition as modified by the 1963 supplement which resulted in the present 1967 edition. This edition of the Manual contains both a numeric index as well as an alphabetic index, and three new appendix sections, namely (1) Procedures for the Identification and Classification of Central Offices and Auxiliary Units, (2) Standard Short Industry Titles, and (3) Changes in the Structure between 1957-1967.