

Collaboration and coordination for statistical classification revision at the regional level: The Experience of the Trilateral Steering Committee (TSC) for the Revision of NAICS and NAPCS (with focus on NAICS)

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SUMMARY OF THE PRESENTATION(S)

1. How it all started: the TSC debut
2. Evolution of the TSC
3. National Experiences and their relations with the TSC (Canada, Mexico, USA) – Separate presentations by each country representative(s) with 2 separate decks for Mexico and U.S. presentations



HOW IT ALL STARTED: TSC Debut

-What is NAICS?

- The [North American Industry Classification System \(NAICS\)](#) is an industry classification system developed by the statistical agencies of Canada, Mexico and the United States. It is designed to provide common definitions of the industrial structure of the three countries and a common statistical framework to facilitate the analysis of the three economies. It is a comprehensive system encompassing all economic activities.
- NAICS represents a continuing co-operative effort among Statistics Canada, Mexico's Instituto Nacional de Estadística y Geografía (INEGI), and the Economic Classification Policy Committee (ECPC) of the United States, acting on behalf of the Office of Management and Budget, to create and maintain a common industry classification system.
- First version of NAICS, NAICS 1997, was approved by the 3-countries in December 1996 and released in early 1997. NAICS provided an opportunity to enhance comparability among the three countries in the context of the new North American Free-trade Agreement (NAFTA). Each country has its own version of NAICS (NAICS Canada, NAICS Mexico and NAICS United States. Categories common across the three countries are identified with superscripts.
- NAICS is **revised every 5 years** (in Canada the evergreening principle has been adopted to provide flexibility to revise NAICS Canada within the revision cycle, only when necessary, via consensus).
- The 5-years revision cycle necessitates a permanent committee overseeing the revision of NAICS and making decisions on the changes in NAICS, for trilateral categories in particular.

HOW IT ALL STARTED: TSC Debut (cont'd)

- While independent from NAFTA (1994), the adoption of NAICS (1997) facilitated analysis and data comparability across the free trade zone as the countries became more economically integrated.
- Before NAFTA was enacted, there were already discussions (e.g., 1991 International Conference on Classification of Economic Activities, held in Williamsburg, VA, USA – Eurostat, UNSD, Canada, US among the participants) to review the current classifications framework used at the time, e.g., the Standard Industrial Classification (SIC) for the US and Canada and the Mexican Classification of Activities and Products (CMAP), in search for better international comparability via classifications.
- The first trilateral agreements on the future NAICS can be seen dated back from May 1995 during a NAICS Committee meeting held in Ottawa, Canada.

EVOLUTION OF THE TSC -General governance

- TSC hold meetings regularly (at least three times a year) hosted by each country on a rotating basis.
- Trilateral meetings are part of the annual planning of work program for each country (regardless if a country is hosting and visiting) and are built into budgets and staffing.
- Lead representatives of each country have authoritative power (including by delegation of power) to make decisions on NAICS changes (Trilateral Agreements) on behalf of the organizations they represent.
- Simultaneous interpretation services (English/Spanish) are used during meetings under the responsibility of the host country.
- **Each country has in place people/resources dedicated FULL TIME to working on the development, maintenance (including revision) and implementation of NAICS.**

EVOLUTION OF THE TSC – Process for decision making

- After the newest version is released, the process for the next revision is already starting, where the three countries agree on a trilateral calendar for the NAICS revision process. Revisions have no real start or end, though there are release dates based on the revision cycle.
- Key areas/topics of potential revision are identified through a ‘research agenda’, which prepared/developed throughout the previous revision cycles, on a continuous basis.
- Carry out the research agenda (documentary, based on information provided by statistical programs, users, other working groups, and by initiative of the direct custodian area of the classification) on new and emerging economic activities, those in decline, those being combined, those specializing, etc.
- Conduct Public Consultations (specific periods, or as in the case of Canada, starting now and for NAICS CA 2027, [the consultation process has become permanent](#), always targeting all Canadians).
- Conduct internal consultations (within Statistical organizations) with subject-matters specialists, the Business Register, and SNA staff; analyze proposals; agree on positions for each proposal; document discussions and agreements reached at the meetings.



EVOLUTION OF THE TSC – Process for decision making (Cont'd)

- Invite experts to our meetings to discuss specific issues and/or to present information to help understand the economic activities related to specific areas of the economy, society and environment, for better decision making.
- Present the countries' positions based on the production function (criterion for the construction of the classification) in face-to-face meetings or by e-mail (and through virtual meetings when face-to-face meetings were not possible).
- Exchange considerable information, including documents and presentations, by e-mail before/prior to and after each meeting, until reaching agreements that are agreed to by all.
- Prepare minutes of each trilateral meeting and follow up on agreements.
- Prepare control formats of the activities under discussion.



EVOLUTION OF THE TSC – Decisions (Trilateral agreements)

- There are five key points for negotiations to reach an agreement:
 - Respect the classification's consistent framework, i.e., decisions are not agreed upon by majority vote, but by consensus.
 - All parties are governed by the same classification principles, constructed criterion and rules, which guides the movement towards consensus.
 - Use the flexibility of the NAICS structure (e.g., higher levels for trilateral agreements and lowest level for national adjustment).
 - Consider the international reference classification (ISIC).
 - Consider how the issues at hand might be accommodated better with use of or revisions to the product classification.
- It is possible that there is no trilateral agreement (agree to disagree or implementation differences) and the three countries agree to always look for opportunities to go back to those disagreements and try to fix them as situations evolve.

Collaboration and coordination for statistical classification revision at the regional level: The Canadian experience within the Trilateral Steering Committee (TSC) for the Revision of NAICS

Franklin Assoumou Ndong, Assistant Director at the Centre for Statistical and Data Standards, Statistics Canada



NAICS Revision and governance: Canadian context

- Statistics Canada (StatCan) has a Centre (Division) entirely dedicated to the development, maintenance, dissemination and implementation of Statistical Standards for the entire Agency (Centre for Statistical and Data Standards - CSDS)
 - Highly integrated national statistical system
- CSDS maintains a full-time staff of 5-7 overseeing industry (NAICS) and product (North American Product Classification System, NAPCS) classification revisions (in addition to a Chief, Assistant Director and Director)
- The revision cycle is 5-years, but also “evergreen” (i.e. we *will* issue a revision every 5 years, but we *may* issue revisions, as needed, between 5-year benchmarks)
- CSDS staff engage in on-going revision consultations internally (within the Agency) and externally (within Canada or internationally)
- NAICS Canada has recently been endorsed as a ‘national industry classification system’ to be mandatory used all federal government departments and agencies under the auspice of the Treasury Board of Canada, but StatCan remains the principal steward responsible for maintaining NAICS Canada



NAICS Revision and governance: Canadian context (cont'd)

- Consulting with various parts of the Canadian population and stakeholders and doing research is part of daily work activities:
 - This helps apply “Rulings”, which are when classification staff gives interpretations on classification questions; this is also a valuable source of information on classification needs
 - Special requests from NAICS users are also a source of information about classification needs
 - Classification staff follow changes to the economy in various news media and other sources
 - Classification staff have close working relationships with subject matter experts, the Business Register and the System of National Accounts, including to support implementation
 - Any information that could result in a change in NAICS from the consultations is relayed back to the TSC permanently, whether during regular trilateral meetings or via permanent exchanges such as by email



NAICS Revision and governance: Canadian context (cont'd)

- Consultation aiming at revising NAICS is now a [permanent process](#) for StatCan (with a cut-off date aligned with trilateral agreements deadline)
- Public consultation notices invite participation from all NAICS users, with no focus on a particular group (Consulting Canadians)
- Input is commonly received from STC divisions, other federal, provincial and municipal departments, academia, and private businesses, with StatCan and federal department input most prominent
- Input is solicited in writing, according to specific guidelines, with in-person meetings to discuss details, as needed
- Information related to consultations are published in various media (StatCan websites and internal channels or committees; Federal Open Government portal; Social media such as Facebook, LinkedIn, Reddit, etc.)



NAICS Revision and governance: Canadian context (end)

- The Economic Standards Steering Committee (ESSC) is responsible for approving changes in economic standard classifications such as NAICS within StatCan, based on recommendations from the classification's experts from CSDS, the Subject matters experts, the BR, the National Accounts and also takes into account trilateral agreements reach between the tree country discussions at the TSC
- ESSC does not only act at the end of the process with an approval, but the Committee can also be called up to react, give advices and propose solutions during the entire revision cycle or development process of a standard
- ESSC is composed of directors and/or their representatives with delegated authorities to make decisions, from various economic domains with the statistical system. It is co-chaired by the Director of CSDS and the Industry Accounts Division (SNA)



Information:

North American Industry Classification System (NAICS)
Sistema de Clasificación Industrial de América del Norte (SCIAN)
Système de classification des industries de l'Amérique du Nord (SCIAN)
http://naics-scian.inegi.org.mx/naics_scian/default_scian.aspx

Questions?

