

## **Report of the Working Group on the Convergence of NACE and NAICS**

Convergence of industrial classifications

UN Statistical Commission, March 4-7, 2003

Over the last year, all parties have undertaken a series of consultations with internal and external stakeholders on the basis of the Convergence scenario that was developed in the previous phase of the project, in accordance with the work plan outlined in the terms of reference for the project. Major milestones are listed below.

1. Review NACE and NAICS and identify similarities and differences that will need to be addressed. Explore the variety of paths that can be taken to obtain greater comparability and recommend a course of action: October 2000 (done, see working group report 1.)
2. Based on report one, as a starting point for discussion, develop a hypothetical scenario that would allow greater comparability of NACE and NAICS. Identify conceptual differences and structural differences and propose resolutions of those differences through the scenario development process: October 2001 (done, see working group report 2.)
3. Undertake consultation in Europe and North America on the hypothetical scenario. The consultation should involve government and private data users and providers and address the analytical usefulness of the proposal and appropriateness of the proposal for relevant users in each country: December 2002

At a meeting held in Ottawa January 28-30, the parties reported on the results of this consultation. Canada has completed its consultation and can support most of the scenario, with some small reservations at more detailed levels. For Mexico, the initial findings of the consultations, which are not yet completed, indicate that there may be a problem with an implementation approach in which a common structure is adopted. While making minor adjustments to various detailed categories and recombining building blocks into the higher levels of the structure (the sector level) do not represent major problems, the adoption of a common structure at the intermediate level does represent a significant change, which may not be supportable in the short or medium term, given that Mexico is still in the process of implementing NAICS.

Eurostat's report was not final as there is still a major NACE meeting to come in the near future to finalize their feedback. However, preliminary findings are that some of the major innovations in the Convergence scenario may be acceptable in Europe (Information, Professional, Scientific and Technical Services, Support Services), with other changes facing a 50/50 chance of acceptance. The United States has just only recently issued its Federal Register notice concerning convergence and had received few comments by the first deadline (January 27). They expected to have more to report by the final deadline at the end of March. The United States expressed concern about several scenario groupings (mining and quarrying of energy-producing materials,

nuclear fuel processing) based on available data but will have a more complete response when the Federal Register notice comment period ends. The United States noted that agreement on definitions and how or when convergence among the systems may take place could be addressed separately. Considerable discussion regarding how and when convergence may be attained will be needed if agreement is reached on definitions.

The working group expects to finalize its third report by the end of June, summarizing the results of their consultations, which will form the basis of the next go/no go decision by the signatories. On the assumption that a decision to proceed will be made, the working group will meet at the end of June to undertake the next phase of the work, as described in the terms of reference.

4. Based on the results of this consultation, reach agreement on acceptable changes that would foster greater convergence between NACE and NAICS and begin discussion of implementation: October 2003.
5. Based on the results of milestone 4, reach agreement on changes to be recommended for ISIC as part of its scheduled 2007 revision in October 2003 and submit a joint recommendation for changes to the United Nations as input for consideration during the 2007 revision process for ISIC by December 2003.

At the January 2003 meeting, the parties also finalized a significant output of the Convergence Project, in the form of concordances between NAICS/ISIC Rev. 3.1 and NAICS/NACE Rev. 1.1. These concordances, developed and validated by the custodians of each classification, provide a concrete improvement in the ability to compare data prepared under the various systems. These concordances will also serve as a valuable tool in the ISIC Revision process for 2007, in light of the Commission's desire for greater comparability.