

News

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BLS RELEASES NEW SERIES ON PRODUCTIVITY AND COSTS IN WHOLESALE TRADE INDUSTRIES, 1990-2000

Labor productivity—defined as output per hour—increased 3.0 percent from 1999 to 2000 in wholesale trade, the Bureau of Labor Statistics of the U.S. Department of Labor reported. This rise was below the 4.0 annual percent increase for the entire 1995-2000 period but exceeded the earlier 2.7 annual percent growth in the 1990-1995 period.

In 2000, labor productivity increased 4.9 percent in durable-goods wholesale trade and 0.4 percent in nondurable-goods wholesale trade. Thirteen of the 18 wholesale trade industries studied by BLS had labor productivity increases in 2000. Unit labor costs rose in wholesale trade overall, in both durable-goods and nondurable-goods wholesale trade, and in 14 of the 18 wholesale trade industries.

With this release, BLS is introducing labor productivity and related series for wholesale trade industries. In the future, they will be incorporated into the annual release on productivity and costs by industry. These new series cover all 3-digit industries within wholesale trade for 1987-2000. The wholesale trade sector includes establishments involved in selling merchandise to retailers; to industrial, commercial, institutional, farm, construction contractors, or professional business users; or acting as brokers in purchases or sales of merchandise between businesses.

The industry productivity series in this release are based on the Standard Industrial Classification (SIC) system. Beginning with the next annual update in 2003, which will incorporate 2001 data, the industry series will be based on the North American Industry Classification System (NAICS). In addition, the base year for all index series will be shifted to 1997.

The 1999-2000 developments in wholesale trade were similar to longer-term trends in the sector. Over the decade from 1990 to 2000, labor productivity increased in overall wholesale trade (3.4 percent per year), in durable- and nondurable-goods wholesale trade (5.6 and 0.7 percent per year, respectively), and in 14 of the 18 individual wholesale trade industries. Most wholesale trade industries had increases in both output

and hours from 1990 to 2000. Unit labor costs rose in the sector as a whole, in the nondurable-goods wholesale trade group, and in 14 wholesale trade industries. Unit labor costs declined in the durable-goods wholesale trade group and in four of the nine durable-goods wholesale trade industries. The attached tables present data for the wholesale trade sector, major groups, and component industries. (See technical note for more information.)

Durable-goods wholesale trade

1999-2000 changes

In 2000, labor productivity increased in seven of the nine durable-goods wholesale trade industries. Output increased in eight of the durable-goods industries, and hours increased in seven.

Productivity growth in two of the durable-goods wholesale trade industries contributed substantially to the strong performance of the major group. Electrical goods wholesalers had a 20.4 percent increase in labor productivity over the year, the most rapid in the wholesale trade sector. Professional and commercial equipment and supplies, which includes computer equipment wholesalers, posted a productivity gain of 9.9 percent in 2000. Professional and commercial equipment and supplies is the largest durable-goods wholesale trade industry in terms of employment, with nearly 1 million employees in 2000. The two durable-goods wholesale industries with productivity declines were motor vehicles and automotive parts and supplies, which had a drop of 5.0 percent, and lumber and other construction materials, where productivity fell 3.3 percent.

Unit labor costs increased in seven durable-goods wholesale trade industries in 2000. The two industries with the most rapid output and productivity increases over the year, electrical goods and professional and commercial equipment and supplies, had declines in unit labor costs of 7.8 percent and 3.5 percent, respectively. The largest increases in unit labor cost occurred in the two durable-goods wholesale industries with labor productivity declines in 2000. The lumber and other construction materials industry had a unit labor cost increase of 8.8 percent, and motor vehicles and automotive parts and supplies had an increase of 7.9 percent.

Long-term trends

Seven of the nine industries in the durable-goods wholesale trade group recorded productivity increases in the 1990-2000 period. The most rapid productivity increase among all wholesale trade industries, 17.1 percent per year, occurred in the professional and commercial equipment and supplies industry. Electrical goods also experienced strong productivity growth of 9.2 percent per year over the decade. Most other durable-goods wholesale trade industries had productivity gains that ranged from 1.0 to 4.0 percent per year; however, lumber and other construction materials and metals and

minerals except petroleum had annual productivity declines of 1.7 percent and 0.9 percent, respectively.

Increases in output and labor productivity over the decade in durable-goods wholesale trade contributed to declines or modest increases in unit labor costs in most durable-goods wholesale industries. Professional and commercial equipment and supplies, which had rapid output and productivity growth, recorded a decline in unit labor costs of 10.1 percent per year over the period. The largest unit labor cost increase in the group, 5.3 percent per year, occurred in the lumber and other construction materials industry. This industry experienced slow output growth and a drop in productivity between 1990 and 2000.

Nondurable-goods wholesale trade

1999-2000 changes

Nondurable-goods wholesale trade experienced a smaller productivity gain in the year 2000 than did durable-goods wholesale trade. During 2000, seven of the nine nondurable-goods industries had output increases, and six had productivity gains.

The nondurable-goods wholesale industries with the largest productivity gains in 2000 were miscellaneous nondurable goods and apparel, piece goods, and notions, with gains of 7.1 percent and 5.2 percent respectively. Labor productivity declined for petroleum and petroleum products wholesalers, down 11.7 percent in 2000. This was the largest decline among all wholesale trade industries. In this industry, output dropped 9.4 percent and employee hours increased 2.6 percent.

The petroleum and petroleum products industry recorded the largest increase in unit labor costs in 2000 among all wholesale trade industries, 19.8 percent. Chemicals and allied products and paper and paper products also had rapid unit labor cost increases of 8.3 percent and 7.1 percent, respectively. These industries were followed closely by drugs, drug proprietaries, and druggists' sundries (6.7 percent) and farm-product raw materials (6.2 percent). Apparel, piece goods, and notions and miscellaneous nondurable goods were the only nondurable-goods wholesale industries with declining unit labor costs in 2000 (-5.1 percent and -4.6 percent, respectively).

Long-term trends

Nondurable-goods wholesale trade industries trailed durable-goods wholesale trade industries in productivity growth over the period from 1990 to 2000, with average annual productivity growth of 0.7 percent per year. Over the 10-year period, productivity increased in seven of nine nondurable-goods industries. Productivity grew 3.7 percent per year in the farm-product raw materials wholesale industry. Productivity declined in the petroleum and petroleum products industry (-0.1 percent per year) and in the chemicals and allied products wholesale industry (-0.6 percent per year).

Unit labor costs increased in every nondurable-goods wholesale industry over the 1990-2000 period. Petroleum and petroleum products (4.5 percent), chemicals and allied products (4.2 percent), and drugs, drug proprietaries, and druggists' sundries (4.2 percent) showed the largest average annual increases, while farm-product raw materials showed the smallest average annual increase (0.7 percent) in unit labor costs over the period.

Changes in productivity growth over the 1990s

The second half of the 1990s was characterized by accelerating productivity growth rates in many industries. For the wholesale trade sector, productivity expanded from a rate of 2.7 percent per year in the first half of the decade (1990-95) to 4.0 percent per year in the second half (1995-2000). This acceleration, however, did not occur uniformly throughout the sector.

Durable-goods wholesale trade

In durable-goods wholesale trade, productivity growth increased from an average rate of 4.9 percent per year in the 1990-95 period to an average rate of 6.3 percent per year in the 1995-2000 period. Seven of the nine durable-goods wholesale industries experienced improved productivity performance in the second half of the decade. Wholesale professional and commercial equipment and supplies and wholesale electrical goods had rapid labor productivity growth in both periods, with small increases in productivity growth in the second half of the decade. Accelerations also occurred in motor vehicles and automotive parts and supplies; machinery, equipment, and supplies; and miscellaneous durable goods. In addition, two wholesale industries with productivity declines during the first half of the period, lumber and other construction materials and metals and minerals except petroleum, had lower rates of labor productivity decline in the latter period.

Unit labor costs fell in durable-goods wholesale trade in both the 1990-95 and 1995-2000 periods. While the unit labor costs drop was smaller in the second half of the decade (-0.8 percent per year as compared to -1.5 percent per year in the first half of the period), more durable-goods trade industries had unit labor costs declines during the 1995-2000 period. Between 1990 and 1995, only two industries in this group had declines in unit labor costs; during the 1995-2000 period, the number of durable-goods wholesale trade industries recording declines in unit labor costs increased to four.

Nondurable-goods wholesale trade

Nondurable-goods productivity growth increased from 0.2 percent per year in the 1990-95 period to 1.2 percent per year from 1995 to 2000. Four of the nine nondurable-goods wholesale trade industries experienced improved productivity performance in the second half compared with the first half. Three of these industries went from productivity declines from 1990 to 1995 to productivity increases from 1995

to 2000. On the other hand, three nondurable-goods wholesale industries had slower productivity growth in the second half of the decade, and two others recorded productivity declines in 1995-2000 after having flat or increasing productivity during the first half.

The largest change in productivity growth from the first period to the second occurred in apparel, piece goods, and notions, which had a productivity decline of 2.0 percent from 1990 to 1995 and an increase of 4.6 percent from 1995 to 2000.

Unit labor costs in nondurable-goods wholesale industries rose at an average annual rate of 3.3 percent from 1990 to 1995 and 3.0 percent from 1995 to 2000. The only nondurable-goods wholesale trade industry to have a decline in unit labor costs in either period was apparel, piece goods, and notions, which recorded a 1.4 percent per year decline in the 1995-2000 period. The largest unit labor cost increase from 1990 to 1995, 5.7 percent per year, occurred in miscellaneous nondurable goods, and the largest increase from 1995 to 2000 was 7.1 percent per year in petroleum and petroleum products.

Technical Note

This news release introduces new measures of annual growth in labor productivity, unit labor costs, and related measures for the wholesale trade sector (SIC 50 and SIC 51), the durables wholesale trade major group (SIC 50), the nondurables wholesale trade major group (SIC 51), and all of the 18 3-digit SIC wholesale trade industries. Annual indexes begin in 1987 and currently end in 2000. These indexes and annual rates of change can be obtained in several ways: by visiting the BLS Productivity and Costs web site (<http://www.bls.gov/lpc/home.htm>); by calling the Division of Industry Productivity Studies (202-691-5618); or by sending a request by e-mail (dipsweb@bls.gov).

Industry output measures for wholesale trade industries are prepared from basic data published by the Bureau of the Census and the Bureau of Economic Analysis, both agencies of the U.S. Department of Commerce, and the BLS. The measures are based on the sales of merchant wholesalers, manufacturers' sales branches and offices (MSBOs), and wholesale agents and brokers, which are available from the Census Bureau's Economic Census (Wholesale Trade) in census years (1987, 1992, and 1997). Sales for agents and brokers are adjusted to include only goods sold on their own account plus fees and commissions for sales on the account of others. Annual sales data from the Census Bureau are available only for merchant wholesalers. The annual sales of merchant wholesalers and census-year sales for all wholesalers are adjusted for price change using 3-digit SIC industry deflators developed by the Bureau of Economic Analysis (BEA). These deflators refer to the price changes for the various products sold by the wholesalers and are based primarily on a combination of BLS producer price indexes, BLS import price indexes, and a few BLS consumer price indexes. The weights for the price indexes

are based on census-year merchant wholesaler commodity line sales data supplemented by census-year import data from the BEA input-output tables.

Annual deflated sales for merchant wholesalers are combined with annual estimates of real sales of MSBOs and agents and brokers. These estimated real sales are based on the annual changes in real output of the primary products of those manufacturing industries whose primary products correspond to the primary product sales of the wholesaling industry. These annual sales movements for MSBOs and agents and brokers are benchmarked to published wholesale sales data in census years.

Labor input series are based on data for all persons (paid employees, the self-employed, and unpaid family workers). BLS data from the Current Employment Statistics program are used for the number of supervisory and nonsupervisory paid employees and for average weekly hours of nonsupervisory workers. Data for the self-employed and unpaid family workers are based on annual data from the Current Population Survey.

Data from the 1997 Economic Census were published on the basis of the new North American Industry Classification System (NAICS); earlier data and annual merchant wholesaler data for all years were published according to the Standard Industrial Classification (SIC) system. In order to develop the productivity series for this news release, BLS converted the NAICS-based data to an SIC basis. All of the measures for 2000 in this news release are preliminary and subject to revision.

Productivity measurement

The industry productivity measures describe the relationship between output and the labor time involved in its production. They estimate the changes from period to period in the amount of services produced per hour. Although these measures relate output to the hours worked of all persons engaged in an industry, they do not measure the specific contribution of labor, capital, or any other factor of production. Rather, they reflect the joint effects of many influences, including changes in technology; capital investment; level of output; utilization of capacity, energy, and materials; the organization of production; managerial skill; and the characteristics and effort of the workforce.

Year-to-year movements in productivity measures for some industries may be somewhat erratic. The annual changes in an industry's productivity are based on sample data, which are likely to differ from data generated by a census of establishments in the industry. As a result, long-term trends tend to be more reliable indicators of the performance of an industry than are the year-to-year changes.

Unit labor cost measurement

The unit labor cost series in this release describe the cost of labor input required to produce one unit of output. Unit labor costs are calculated as the ratio of current dollar labor compensation to constant dollar output. The indexes of unit labor costs for each industry are computed by dividing an index of current dollar compensation by an index of constant dollar output.

Compensation is a measure of the cost to the employer of securing the services of labor. It is defined as payroll expenses plus supplemental payments. Payroll expenses includes salaries, wages, commissions, dismissal pay, bonuses, vacation and sick leave pay, and compensation in kind. Supplemental payments are divided into legally required expenditures and payments for voluntary programs. The legally required expenditures include employers' contributions to Social Security, unemployment insurance taxes, and workers' compensation. Payments for voluntary programs include all programs not specifically required by legislation, such as the employer portion of private health insurance and pension plans.

The indexes of industry output used in measuring labor productivity and unit labor costs for the overall wholesale sector and the two major groups are calculated with a Tornqvist formula. This formula aggregates the growth rates of the various component industries between two periods using the shares in industry value of production, averaged over the two periods, as weights.

Information in this release will be made available to sensory impaired individuals upon request. Voice phone: 202-691-5200; TDD message referral phone number: 1-800-877-8339.

Table 1. Annual percent change in output per hour and related series: Wholesale trade industries, 1990-2000 and 1999-2000

SIC code	Industry	2000 Employment (thousands)	Annual percent change, 1990-2000			Annual percent change, 1999-2000		
			Output per hour	Output	Hours	Output per hour	Output	Hours
	Wholesale trade							
50, 51	Wholesale trade	7290	3.4	4.7	1.2	3.0	5.2	2.1
	Wholesale durable goods							
50	Wholesale durable goods	4337	5.6	7.1	1.4	4.9	6.9	1.8
501	Motor vehicles and automotive parts and supplies	540	3.3	4.6	1.2	-5.0	-3.9	1.2
502	Furniture and home furnishings	187	1.2	3.0	1.7	3.1	5.1	2.0
503	Lumber and other construction materials	302	-1.7	0.6	2.4	-3.3	1.5	5.0
504	Professional and commercial equipment and supplies	976	17.1	19.5	2.0	9.9	11.6	1.5
505	Metals and minerals, except petroleum	165	-0.9	0.7	1.6	3.3	2.9	-0.4
506	Electrical goods	599	9.2	11.0	1.7	20.4	26.5	5.1
507	Hardware and plumbing and heating equipment and supplies	326	1.7	2.8	1.1	0.4	1.9	1.5
508	Machinery, equipment and supplies	871	2.4	3.0	0.5	4.2	3.4	-0.8
509	Miscellaneous durable goods	372	3.9	4.9	0.9	3.1	7.1	3.8
	Wholesale nondurable goods							
51	Wholesale nondurable goods	2953	0.7	1.7	1.0	0.4	2.9	2.5
511	Paper and paper products	277	2.2	2.9	0.7	0.1	-2.9	-3.0
512	Drugs, drug proprietaries, and druggists' sundries	263	2.3	5.5	3.1	-0.1	8.7	8.8
513	Apparel, piece goods, and notions	233	1.3	2.3	1.0	5.2	8.5	3.1
514	Groceries and related products	988	0.6	2.0	1.3	1.5	4.8	3.2
515	Farm-product raw materials	105	3.7	1.3	-2.4	1.9	1.1	-0.8
516	Chemicals and allied products	168	-0.6	1.1	1.8	-5.3	0.2	5.8
517	Petroleum and petroleum products	156	-0.1	-2.4	-2.3	-11.7	-9.4	2.6
518	Beer, wine, and distilled alcoholic beverages	165	0.1	1.2	1.1	1.2	3.0	1.8
519	Miscellaneous nondurable goods	598	0.3	1.4	1.1	7.1	7.8	0.6

Table 2. Annual percent change in total compensation, output, and unit labor costs: Wholesale trade industries, 1990-2000 and 1999-2000

SIC code	Industry	2000 Employment (thousands)	Annual percent change, 1990-2000			Annual percent change 1999-2000		
			Total compensation	Output	Unit labor costs	Total compensation	Output	Unit labor costs
Wholesale trade								
50, 51	Wholesale trade	7290	5.5	4.7	0.8	7.4	5.2	2.1
Wholesale durable goods								
50	Wholesale durable goods	4337	5.8	7.1	-1.2	8.0	6.9	1.1
501	Motor vehicles and automotive parts and supplies	540	4.5	4.6	-0.1	3.7	-3.9	7.9
502	Furniture and home furnishings	187	5.5	3.0	2.5	9.6	5.1	4.3
503	Lumber and other construction materials	302	5.9	0.6	5.3	10.4	1.5	8.8
504	Professional and commercial equipment and supplies	976	7.4	19.5	-10.1	7.6	11.6	-3.5
505	Metals and minerals, except petroleum	165	4.3	0.7	3.6	3.2	2.9	0.3
506	Electrical goods	599	7.3	11.0	-3.4	16.7	26.5	-7.8
507	Hardware and plumbing and heating equipment and supplies	326	4.6	2.8	1.8	4.9	1.9	2.9
508	Machinery, equipment and supplies	871	4.1	3.0	1.1	4.0	3.4	0.5
509	Miscellaneous durable goods	372	4.5	4.9	-0.4	10.0	7.1	2.7
Wholesale nondurable goods								
51	Wholesale nondurable goods	2953	4.9	1.7	3.2	6.4	2.9	3.4
511	Paper and paper products	277	4.4	2.9	1.5	4.0	-2.9	7.1
512	Drugs, drug proprietaries, and druggists' sundries	263	10.0	5.5	4.2	15.9	8.7	6.7
513	Apparel, piece goods, and notions	233	3.5	2.3	1.2	3.0	8.5	-5.1
514	Groceries and related products	988	4.4	2.0	2.4	5.2	4.8	0.4
515	Farm-product raw materials	105	2.0	1.3	0.7	7.3	1.1	6.2
516	Chemicals and allied products	168	5.4	1.1	4.2	8.5	0.2	8.3
517	Petroleum and petroleum products	156	2.0	-2.4	4.5	8.5	-9.4	19.8
518	Beer, wine, and distilled alcoholic beverages	165	4.2	1.2	3.0	6.5	3.0	3.4
519	Miscellaneous nondurable goods	598	5.1	1.4	3.6	2.8	7.8	-4.6

Table 3. Annual percent change in output per hour and related series: Wholesale trade industries, 1990-95 and 1995-2000

SIC code	Industry	2000 Employment (thousands)	Annual percent change, 1990-95			Annual percent change, 1995-2000		
			Output per hour	Output	Hours	Output per hour	Output	Hours
	Wholesale trade							
50, 51	Wholesale trade	7290	2.7	3.5	0.7	4.0	5.8	1.7
	Wholesale durable goods							
50	Wholesale durable goods	4337	4.9	5.6	0.6	6.3	8.6	2.2
501	Motor vehicles and automotive parts and supplies	540	2.8	4.6	1.7	3.8	4.6	0.8
502	Furniture and home furnishings	187	1.7	2.0	0.3	0.8	4.0	3.2
503	Lumber and other construction materials	302	-3.3	-2.0	1.4	-0.1	3.3	3.4
504	Professional and commercial equipment and supplies	976	16.0	15.9	-0.1	18.3	23.3	4.2
505	Metals and minerals, except petroleum	165	-1.0	-0.1	0.9	-0.8	1.5	2.3
506	Electrical goods	599	8.6	9.0	0.4	9.8	13.1	3.0
507	Hardware and plumbing and heating equipment and supplies	326	1.8	2.6	0.8	1.6	3.0	1.4
508	Machinery, equipment and supplies	871	1.6	1.3	-0.3	3.3	4.6	1.3
509	Miscellaneous durable goods	372	2.3	4.8	2.5	5.6	5.0	-0.6
	Wholesale nondurable goods							
51	Wholesale nondurable goods	2953	0.2	1.1	0.9	1.2	2.3	1.1
511	Paper and paper products	277	2.4	3.0	0.5	1.9	2.8	0.9
512	Drugs, drug proprietaries, and druggists' sundries	263	2.7	4.0	1.2	1.9	7.1	5.1
513	Apparel, piece goods, and notions	233	-2.0	0.2	2.2	4.6	4.5	-0.1
514	Groceries and related products	988	0.9	2.0	1.1	0.4	2.0	1.6
515	Farm-product raw materials	105	2.3	0.7	-1.6	5.1	1.9	-3.1
516	Chemicals and allied products	168	0.0	1.3	1.3	-1.3	0.9	2.2
517	Petroleum and petroleum products	156	2.1	-2.4	-4.4	-2.2	-2.4	-0.2
518	Beer, wine, and distilled alcoholic beverages	165	-1.3	-0.9	0.4	1.5	3.3	1.8
519	Miscellaneous nondurable goods	598	-2.0	0.2	2.3	2.7	2.6	-0.1

Table 4. Annual percent change in total compensation, output, and unit labor costs: Wholesale trade industries, 1990-95 and 1995-2000

SIC code	Industry	2000 Employment (thousands)	Annual percent change, 1990-95			Annual percent change 1995-2000		
			Total compensation	Output	Unit labor costs	Total compensation	Output	Unit labor costs
Wholesale trade								
50, 51	Wholesale trade	7290	4.1	3.5	0.6	6.8	5.8	0.9
Wholesale durable goods								
50	Wholesale durable goods	4337	3.9	5.6	-1.5	7.7	8.6	-0.8
501	Motor vehicles and automotive parts and supplies	540	4.6	4.6	0.0	4.3	4.6	-0.3
502	Furniture and home furnishings	187	3.1	2.0	1.1	8.0	4.0	3.9
503	Lumber and other construction materials	302	4.3	-2.0	6.4	7.6	3.3	4.2
504	Professional and commercial equipment and supplies	976	3.3	15.9	-10.9	11.8	23.3	-9.3
505	Metals and minerals, except petroleum	165	3.8	-0.1	3.9	4.8	1.5	3.2
506	Electrical goods	599	4.8	9.0	-3.9	9.9	13.1	-2.8
507	Hardware and plumbing and heating equipment and supplies	326	4.0	2.6	1.3	5.3	3.0	2.2
508	Machinery, equipment and supplies	871	3.2	1.3	1.9	5.1	4.6	0.4
509	Miscellaneous durable goods	372	5.6	4.8	0.8	3.4	5.0	-1.5
Wholesale nondurable goods								
51	Wholesale nondurable goods	2953	4.4	1.1	3.3	5.4	2.3	3.0
511	Paper and paper products	277	4.1	3.0	1.1	4.7	2.8	1.9
512	Drugs, drug proprietaries, and druggists' sundries	263	7.4	4.0	3.3	12.6	7.1	5.2
513	Apparel, piece goods, and notions	233	4.0	0.2	3.9	3.0	4.5	-1.4
514	Groceries and related products	988	4.1	2.0	2.1	4.8	2.0	2.7
515	Farm-product raw materials	105	1.6	0.7	0.9	2.5	1.9	0.6
516	Chemicals and allied products	168	5.8	1.3	4.4	5.0	0.9	4.1
517	Petroleum and petroleum products	156	-0.4	-2.4	2.1	4.5	-2.4	7.1
518	Beer, wine, and distilled alcoholic beverages	165	3.1	-0.9	4.0	5.3	3.3	2.0
519	Miscellaneous nondurable goods	598	6.0	0.2	5.7	4.3	2.6	1.6