

BLS Update on Factoryless Goods Producers

Federal Economic Statistical Advisory
Committee (FESAC)

David Talan, *Employment & Wages*
Vincent Russo, *Industrial Prices*



June 14, 2013

www.bls.gov

Analysis of FGP Impact

- FGP treatment alters traditional view of NAICS mfg production function
- Mfg industry classifications will blend establishments that utilize capital, labor, and material inputs very differently
 - ▶ More heterogeneous establishment types within NAICS industries
 - ▶ Implications for interpreting industry stats

BLS Statistics Affected by Manufacturing Redefinition

- Current Employment Statistics Program
- Quarterly Census of Employment and Wages
- National Compensation Survey
- Job Openings and Labor Turnover Survey
- Occupational Employment Statistics
- Occupational Safety and Health Statistics
- Employment Projections
- Industrial Prices (PPI and IPP)
- Major Sector and Industry Productivity Programs

Employment and Wages

- Likely shift in employment from Wholesale Trade and Management of Companies into Manufacturing
- No impact in *national* measures of total employment and wages, but sector values will shift with mfg growing and others shrinking
- Geographic shifts in mfg employment and wages

Employment and Wages – cont.

- Ratio of production to non-production employees in mfg will change
- If average wages of FGP occupations exceeds that of production employees:
 - ▶ Average mfg wages will increase in locations with high concentrations of FGP establishments
 - ▶ Average wages for other sectors in same locations will decline (especially wholesale trade)
 - ▶ Implications for interpreting sectoral wage data

Occupational Safety & Health Statistics (OSHS)

- Alters mix of occupational classifications within mfg sector. FGPs don't have production employees.
 - ▶ Ratio of non-production employees to production employees increases
 - ▶ Garment mfg suddenly appears much safer

Implementation Issues- Data Collection

- QCEW: Need new survey to classify FGPs
 - ▶ Survey establishments in:
 - Manufacturing
 - Wholesale Trade sectors
 - NAICS 551114 Corporate, Subsidiary, and Regional Managing Offices
 - ▶ Frequency of Collection: Annually? Every 3 Years?
- A variety of accounting practices may complicate collection of consistently accurate data on FGPs
- Unclear whether current respondents can provide this information
- Increased respondent burden

Industrial Prices- International Prices (IPP)

- Current treatment: U.S. establishment imports a good from its foreign subsidiaries.
- New treatment: The good is a U.S. *domestic* output of the same FGP establishment, which now imports a manufacturing service.

Industrial Prices- International Prices (IPP)

Implications for IPP:

- Reclassification of affected imports and removal from NAICS-based Locality-of-Origin (LOO) indexes
- Disclosure problems for trade indexes of particular public interest, e.g., apparel, computer, and semiconductor mfg from China, Pacific Rim
- Fallback: create import index for MSP?

Industrial Prices- International Prices (IPP)

- Customs Bureau will not adopt FGP concept
- Without suitable sampling frame, IPP will not be able to implement FGP concept consistent with other programs
- More discussion is needed with BEA about how to deflate foreign trade statistics, especially for complex cases

Industrial Prices-Producer Prices (PPI)

- PPI scope will now include goods fabricated offshore
- Now possible to measure price change when FGPs shift production offshore or onshore
- Response to criticism that price statistics miss effects when production is moved to lower cost locations

Industrial Prices-Producer Prices (PPI)

- Increased relative importance of mfg within PPI aggregation systems
 - ▶ Wholesale trade shrinks, possibly, as FGP output is reclassified into Mfg
 - ▶ Magnitude of shift is unknown

Industrial Prices-Producer Prices (PPI)

- Need frame sources with IM, FGP, MSP establishments separately identified
 - ▶ PPI uses employment as proxy for output in its sampling methodology
 - ▶ Probability of selection is a function of total employment
 - ▶ Potential to under represent FGPs
 - ▶ Need to select population from each strata using appropriate size measure

Productivity

- Relies on consistent implementation across programs that supply source data
- Affects both labor and multifactor productivity measures
- Need bridge ratios to adjust the historical source data, but bridge ratios may not accurately capture historical trends

BLS-wide impacts

Concerns that affect many programs throughout BLS:

- More detailed outputs require resources, varies by program, but all face opportunity costs
- Data continuity for time series
- Respondent burden and identification
- Public acceptance and understanding of the FGP concept—can we explain it?

Contact Information

Vincent Russo

202-691-7726

russo.vincent@bls.gov

David Talan

202-691-6467

talan.david@bls.gov

