BLS Update on Factoryless Goods Producers

Federal Economic Statistical Advisory Committee (FESAC)

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

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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
ruzzo.vincent@bls.gov

David Talan
202-691-6467
talan.david@bls.gov