

# BLS Update on Factoryless Goods Producers

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Federal Economic Statistical Advisory  
Committee (FESAC)

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# Analysis of FGP Impact

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- 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**

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- 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

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- 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.

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- 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)

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- 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

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- 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)

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- 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)

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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)

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- 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)

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- 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)

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- 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)

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- 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

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- 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

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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

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