

Explanation of Terms

Source: U.S. Department of Commerce, Bureau of the Census

All Employees

This item includes all full time and part time employees on the payrolls of operating manufacturing establishments during any part of the pay period which included the 12th of the months specified on the report form. Included are all persons on paid sick leave, paid holidays, and paid vacations during these pay periods. Officers of corporations are included as employees; proprietors and partners of unincorporated firms are excluded. The “all employees” number is the average number of production workers plus the number of other employees in mid-March. The number of production workers is the average for the payroll periods including the 12th of March, May, August, and November.

Production Workers

This item includes workers (up through the line supervisor level) engaged in fabricating, processing, assembling, inspecting, receiving, storing, handling, packing, warehousing, shipping (but not delivering), maintenance, repair, janitorial and guard services, product development, auxiliary production for plant’s own use (power plant, etc.), recordkeeping, and other services closely associated with these production operations at the establishment covered by the report. Employees above the working supervisor level are excluded from this item.

All Other Employees

This item covers nonproduction employees of the manufacturing establishment including those engaged in factory supervision above the line supervisor level. It includes sales (including driver salespersons), sales delivery (highway truck drivers and their helpers), advertising, credit, collection, installation and servicing of own products, clerical and routine office function, executive, purchasing, financing, legal, personnel (including cafeteria, medical, etc.), professional, and technical employees. Also included are employees on the payroll of the manufacturing establishment engaged in the construction of major additions or alterations to the plant and utilized as a separate work force.

Employment And Payroll For Auxiliaries

Information on employment during the payroll period which included March 12 and annual payrolls also was requested of auxiliary units (administrative offices, warehouses, research and development laboratories, etc.) of multiestablishment companies. However, these figures are not included in the totals for individual industries shown in this report.

The employment and payroll data shown for central administrative offices and auxiliary units represent the total for all such units which primarily serve manufacturing plants.

Average Employment

The annual survey report forms requested employment figures for “production workers” for four selected pay periods (production workers’ midmonth employment in March, May,

August, and November). For “all other employees” only a mid-March figure was requested. Thus the “annual average” is composed of an average of the four monthly figures for the “production workers” plus the March figure for “all other employees.”

Payroll

This item includes the gross earnings of all employees on the payroll of operating manufacturing establishments paid in the calendar year. Respondents were told they could follow the definition of payrolls used for calculating the Federal withholding tax. It includes all forms of compensation, such as salaries, wages, commissions, dismissal pay, bonuses, vacation and sick leave pay, and compensation in kind, prior to such deductions as employees’ Social Security contributions, withholding taxes, group insurance, union dues, and savings bonds. The total includes salaries of officers of corporations; it excludes payments to proprietors or partners of unincorporated concerns. Also excluded are payments to members of Armed Forces and pensioners carried on the active payroll of manufacturing establishments.

Production Worker Hours

This item covers hours worked or paid for at the plant, including actual overtime hours (not straight time equivalent hours). It excludes hours paid for vacations, holidays, or sick leave.

Value Added By Manufacture

This measure of manufacturing activity is derived by subtracting the cost of materials, supplies, containers, fuel, purchased electricity, and contract work from the value of shipments (products manufactured plus receipts for services rendered). The result of this calculation is adjusted by the addition of value added by merchandising operations (the difference between the sales value and the cost of merchandise sold without further manufacture, processing, or assembly) plus the net change in finished goods and work-in-process between the beginning and end-of-year inventories.

For those industries where value of production is collected instead of value of shipments, value added is adjusted only for the change in work-in-process inventories between the beginning and end of year. For those industries where value of work done is collected, the value added does not include an adjustment for the change in finished goods or work-in-process inventories. “Value added” avoids the duplication in the figure for value of shipments that results from the use of products of some establishments as materials by others. Value added is considered to be the best value measure available for comparing the relative economic importance of manufacturing among industries and geographic areas.

Cost Of Materials

This term refers to direct charges actually paid or payable for items consumed or put into production during the year, including freight charges and other direct charges incurred by the establishment in acquiring these materials. It includes the cost of materials or fuel consumed, whether purchased by the individual establishment from other companies, transferred to it from other establishments of the same company, or withdrawn from inventory during the year.

The important components of this cost item are:

1. All raw materials, semi-finished goods, parts, containers, scrap, and supplies put into production or used as operating supplies or repair and maintenance during the year
2. Electric energy purchased
3. Fuels consumed for heat, power, or the generation of electricity
4. Work done by others on materials or parts furnished by manufacturing establishments (contract work)
5. Products bought and resold in the same condition See discussion of duplication of data below.

Value Of Shipments

This item covers the received or receivable net selling values, f.o.b. plant (exclusive of freight and taxes), of all products shipped, both primary and secondary, as well as all miscellaneous receipts, such as receipts for contract work performed for others, installation and repair, sales of scrap, and sales of products bought and resold without further processing. Included are all items made by or for the establishments from materials owned by it, whether sold, transferred to other plants of the same company, or shipped on consignment. The net selling value of products made in one plant on a contract basis from materials owned by another was reported by the plant providing the materials.

In the case of multiestablishment companies, the manufacturer was requested to report the value of products transferred to other establishments of the same company at full economic or commercial value, including not only the direct cost of production but also a reasonable proportion of "all other costs" (including company overhead) and profit. (See discussion of duplication of data below.)

Duplication In Cost Of Materials And Value Of Shipments

The aggregate of the cost of materials and value of shipments figures for industry groups and for all manufacturing industries includes large amounts of duplication since the products of some industries are used as materials by others. This duplication results, in part, from the addition of related industries representing successive stages in the production of a finished manufactured product. Examples are the addition of flour mills to bakeries in the food group and the addition of pulp mills to paper mills in the paper and allied products group of industries. Estimates of the overall extent of this duplication indicate that the value of manufactured products exclusive of such duplication (the value of finished manufactures) tends to approximate two-thirds of the total value of products reported in the annual survey.

Duplication of products within individual industries is significant within a number of industry groups (e.g., machinery and transportation equipment industries). These industries frequently include complete machinery and parts. In this case, the parts made for original equipment are materials consumed for assembly plants in the same industry.

Even when no significant amount of duplication is involved, value of shipments figures are deficient as measures of the relative economic importance of individual manufacturing industries or geographic areas because of the wide variation in the ratio of materials, labor, and other processing costs to value of shipments, both among industries and within the same industry.

Before 1962, cost of materials and value of shipments were not published for some industries which included considerable duplication. Since then, these data have been published for all industries at the U.S. level and beginning in 1964, for all geographic levels.

New And Used Capital Expenditures

For establishments in operation and any known plants under construction, manufactures were asked to report their new expenditures for:

1. Permanent additions and major alterations to manufacturing establishments
2. Machinery and equipment used for replacement and additions to plant capacity if they were of the type for which depreciation accounts were ordinarily maintained. The totals for new expenditures include expenditures leased from nonmanufacturing concerns through capital leases. New facilities owned by the Federal Government but operated under private contract by private companies, and plant and equipment furnished to the manufacturer by communities and nonprofit organizations are excluded. Manufacturers also were requested to report the value of all used buildings and equipment purchased during the year at the purchase price. For any equipment or structure transferred for the use of the reporting establishment by the parent company or one of its subsidiaries, the value at which it was transferred to the establishment was to be reported. Furthermore, if the establishment changed ownership during the year, the cost of the fixed assets (building and equipment) was to be reported under used capital expenditures.

End-Of-Year Inventories

Respondents were asked to report their 1995 and 1996 end-of-year inventories at cost or market. Effective with the 1982 Economic Censuses, this change to a uniform instruction for reporting inventories was introduced for all sector reports. Prior to 1982, respondents were permitted to value inventories using any generally accepted accounting method (FIFO, LIFO, market, to name a few). In 1982, LIFO users were asked to first report inventory values prior to the LIFO adjustment and then to report the LIFO reserve and the LIFO value after adjustment for the reserve. Because of this change in reporting instructions, 1982 through 1996 data for inventories and value added by manufacture included in this report are not comparable to the prior year data shown in table 1a of this report and in historical censuses of manufactures and ASM publications. When using inventory data by stage of fabrication for “all industries” and at the two-digit industry level, it should be noted that an item treated as a finished product by an establishment in one industry may be reported as a raw material by another establishment in a different industry. For example, the finished product inventories of a steel mill would be reported as raw materials by a stamping plant. Such differences are present in the inventory figures by stage of fabrication shown for individual industries, industry groups, and manufacturing totals, which are aggregates of figures reported by establishments in specified industries.

Labor Costs

Supplemental labor costs are divided into legally required expenditures and payment for voluntary programs. The legally required portion consists primarily of Federal old age and survivors’ insurance, unemployment compensation, and workers’ compensation. Payments for voluntary programs include all programs not specifically required by legislation whether

they were employer initiated or the result of collective bargaining. They include the employer portion of such plans as insurance premiums, premiums for supplemental accident and sickness insurance, pension plans, supplemental unemployment compensation, welfare plans, stock purchase plans on which the employer payment is not subject to withholding tax, and deferred profit sharing plans. They exclude such items as company operated cafeterias, in plant medical services, free parking lots, discounts on employee purchases, and uniforms and work clothing for employees. While the excluded items do benefit employees and all or part of their cost generally is similar to the items covered in the ASM labor costs statistics, accounting records generally do not provide reliable figures on net employee benefits of these types.

Cost Of Fuels Consumed For Heat, Power, Or Generation Of Electricity, And Electric Energy Used For Heat And Power

These items refer to fuels and electric energy consumed for heat, power, or generation of electricity whether purchased by the individual establishment from other companies, transferred to it from other establishments of the same company, or withdrawn from inventory during the year. Data on the quantity of purchased electric energy and quantity of generated-less-sold electric energy are included. The cost and quantity of purchased electric energy represent the amount actually used during the year for heat and power. In addition, information was collected on the quantity of electric energy generated by the establishment and the quantity of electric energy sold or transferred to other plants of the same company.