

News

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PRODUCTIVITY AND COSTS BY INDUSTRY: WHOLESALE TRADE, RETAIL TRADE, AND FOOD SERVICES AND DRINKING PLACES, 2006

Labor productivity—defined as output per hour—increased in wholesale trade, retail trade, and food services and drinking places in 2006 as follows:

- 4.3 percent in wholesale trade
- 4.9 percent in retail trade and
- 2.4 percent in food services and drinking places.

Output grew in each of these sectors in 2006. Hours rose in wholesale trade and in food services and drinking places, but fell in retail trade. (See chart 1.) Productivity advanced in 42 of the 50 industries studied, as output grew in 40 industries while hours declined in 21 industries. Unit labor costs fell in half of the detailed industries measured and in the retail trade sector, but increased in the wholesale trade and food services and drinking places sectors overall. (See table 1.)

From 1987 to 2006, labor productivity increased at the following average annual rates:

- 3.5 percent in wholesale trade
- 3.4 percent in retail trade and
- 0.8 percent in food services and drinking places.

Output and hours rose in each of these sectors over the period. (See chart 2.) Productivity and output increased in 47 of the 50 detailed industries, while hours fell in 13 industries. Unit labor costs declined in 18 industries and in the retail trade sector, but rose in the wholesale trade and food services and drinking places sectors during this period. (See table 2.)

Measures for industries in other sectors have been published in separate releases and can be accessed online at: http://www.bls.gov/schedule/archives/prin_nr.htm.

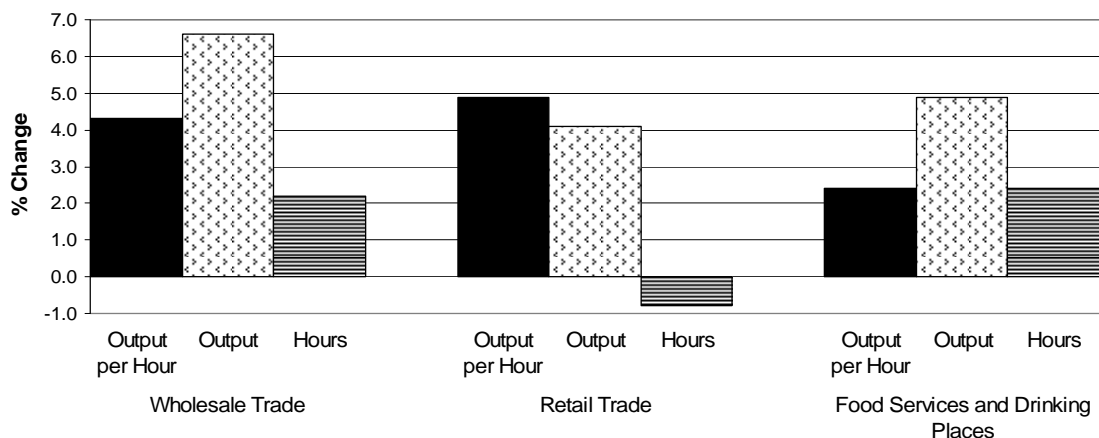
2005-2006 change

Wholesale trade: Output per hour grew 4.3 percent, as output increased 6.6 percent and hours advanced 2.2 percent. Labor productivity rose 5.1 percent in durable merchant wholesalers (NAICS 423) and increased 2.7 percent in nondurable merchant wholesalers (NAICS 424). Labor productivity rose in 15 of the 19 detailed wholesale trade industries in 2006, as output grew in 17 industries while hours fell in four. The largest increases in productivity—13.0 percent and 11.8 percent—occurred in motor vehicles and parts wholesalers (NAICS 4231), and farm product raw materials wholesalers (NAICS 4245), respectively. Unit labor costs declined in seven of the 19 detailed industries, but grew 0.5 percent in wholesale trade overall.

Retail trade: Output per hour increased 4.9 percent as output grew 4.1 percent while hours declined 0.8 percent. Labor productivity rose in 24 of the 27 detailed retail trade industries in 2006. Output increased in 20 industries, while hours declined in 16 industries. Specialty food stores (NAICS 4452) and electronic shopping and mail-order houses (NAICS 4541) had the largest productivity increases—20 percent and 18.2 percent, respectively. Productivity also grew in each of the six largest retail trade industries, those with more than one million employees. Unit labor costs fell 1.5 percent in the retail trade sector and declined in 18 of the 27 industries studied; the largest decline, 12.2 percent, occurred in specialty food stores (NAICS 4452).

Food services and drinking places: Output per hour rose 2.4 percent as output and hours grew 4.9 percent and 2.4 percent, respectively. Three of the four industries in food services and drinking places registered productivity gains in 2006. Output and hours grew in each of the food services industries, but fell in drinking places (NAICS 7224). The largest increase in productivity, 3.2 percent, occurred in limited-service eating places (NAICS 7222), while output per hour in special food services (NAICS 7223), declined 2.4 percent. Unit labor costs rose in each of the detailed industries and grew 2.1 percent in food services and drinking places overall.

Chart 1. Percent change in output per hour, output, and hours, 2005-2006
(Wholesale Trade, Retail Trade, and Food Services and Drinking Places)



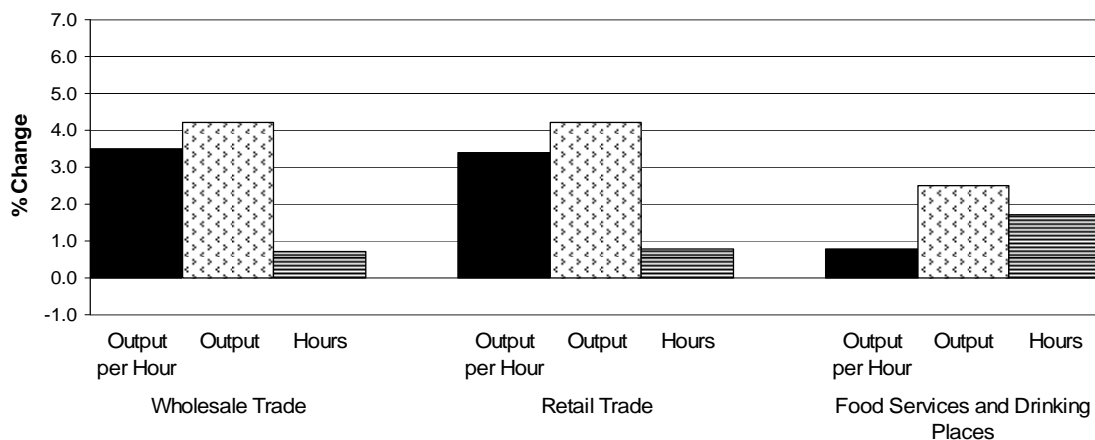
Long-term trends

Wholesale trade: Output per hour increased 3.5 percent per year, on average, between 1987 and 2006. Output grew 4.2 percent per year and hours rose 0.7 percent per year. At the subsector level, productivity advanced 5.6 percent per year in durable merchant wholesale trade (NAICS 423), and increased 1.3 percent per year, on average, in nondurable merchant wholesale trade (NAICS 424). Labor productivity increased in 17 of the 19 detailed industries. Commercial equipment wholesalers (NAICS 4234) and electric goods wholesalers (NAICS 4236), had the largest average annual increases in labor productivity of 15.6 percent and 9.1 percent per year, respectively. Output grew in all but one industry, while hours decreased in six industries. Unit labor costs increased in all but three of the wholesale trade industries over the period, and rose 0.7 percent per year overall in the wholesale trade sector.

Retail trade: Output per hour rose an average 3.4 percent per year from 1987 to 2006, as output increased 4.2 percent per year and hours grew 0.8 percent. Output per hour increased in all 27 detailed industries. Labor productivity rose fastest in electronics and appliance stores (NAICS 443), at an average annual rate of 13.4 percent per year, followed by electronic shopping and mail-order houses (NAICS 4541), which recorded growth in output per hour of 12.0 percent per year. Output increased in 26 of the 27 retail trade industries and hours grew in 18 industries. Unit labor cost fell in 15 of the 27 industries in this sector between 1987 and 2006 and declined 0.2 percent per year in retail trade overall.

Food services and drinking places: Output per hour increased at an average annual rate of 0.8 percent per year as output and hours grew 2.5 percent per year and 1.7 percent per year, respectively. The three food services industries all recorded growth in labor productivity, output, and hours from 1987-2006. During this same period, both output and productivity in drinking places (NAICS 7224) declined 0.5 percent per year while hours were unchanged. Unit labor costs increased in each of the detailed industries and rose 3.0 percent per year in food services and drinking places overall.

Chart 2. Average annual percent change in output per hour, output, and hours, 1987-2006
(Wholesale Trade, Retail Trade, and Food Services and Drinking Places)



Technical Note

Output

Industry output is measured as sectoral output, the total value, in real terms, of goods and services produced for sale outside the industry. Industry output measures for the trade and food services and drinking places industries are constructed by deflating nominal dollar revenues from the Bureau of the Census, U.S. Department of Commerce, with price indexes primarily from BLS. Wherever possible, the indexes of industry output are calculated with a Törnqvist formula. This formula aggregates the growth rates of the various industry outputs between two periods, using their relative shares in industry value of production, averaged over the two periods, as weights.

Labor Hours

The industry labor input measures represent the hours of all workers in the industry. The primary source of data on employment and hours is the BLS Current Employment Statistics (CES) survey, which provides monthly data on the number of jobs held by wage and salary workers in nonfarm establishments. The CES survey also provides data on the average weekly hours of production and nonsupervisory workers in these establishments.

Data from the Current Population Survey (CPS) are used to supplement the CES data. The Division of Industry Productivity Studies (DIPS) estimates the average weekly hours of supervisory and nonproduction workers by industry using data from the CPS together with the CES data. CPS data are also used to estimate the employment and hours of self-employed and unpaid family workers in the trade and food services and drinking places industries. The hours of nonsupervisory workers, supervisory workers, and self-employed and unpaid family workers are treated as homogeneous and are directly aggregated.

Labor Productivity

The industry labor productivity measures describe the relationship between output and the labor time involved in its production. They show the changes from period to period in the amount of goods and services produced per hour. Industry output per hour indexes are prepared from data published by various public and private agencies, using the greatest level of industry detail available.

Although the labor productivity measures relate output to hours 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 use of purchased service inputs, including contract employment services; the organization of production; managerial skill; and the characteristics and effort of the workforce.

Long-term trends tend to be more reliable indicators of the performance of an industry than are year-to-year changes. The annual changes in an industry's output and use of labor may reflect cyclical changes in the economy as well as long-term trends. Also, annual productivity indexes are based on sample data, which are likely to differ from data generated by a census of establishments in the industry.

Unit Labor Costs

The unit labor cost series represents the cost of labor input required to produce one unit of output. The indexes of unit labor costs for each industry are computed by dividing an index of industry labor compensation by an index of industry output. Compensation, defined as payroll plus supplemental payments, is a measure of the cost to the employer of securing the services of labor. Payroll includes salaries, wages, commissions, dismissal pay, bonuses, vacation and sick leave pay, and compensation in kind. Supplemental payments include legally required expenditures and payments 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, such as the employer portion of private health insurance and pension plans.

Notes

The measures in this news release incorporate revised data from the Census Bureau's Current Business Reports (March 2007) and Monthly Wholesale Trade Survey (August 2007); also included are BLS employment and hours from the annual benchmark revision of the Current Employment Statistics (CES) survey (February 2007) and wages from the Quarterly Census of Employment and Wages (July 2007). Output measures for the wholesale trade industries in this release incorporate revisions to the weights used to combine detailed commodity price indexes for deflating the sales of manufacturers' sales branches and offices (MSBOs). The weights now reflect improved estimates of the individual product line sales by MSBOs. The measures replace the wholesale trade, retail trade, and food services and drinking places series published in the news release *Productivity and Costs by Industry: Wholesale Trade, Retail Trade, and Food Services and Drinking Places, 2005* (released August 22, 2006) and in table 50 of the Monthly Labor Review, and may reflect revisions to those series. All of the measures for 2006 in this release are preliminary and subject to revision.

Published productivity and unit labor cost indexes for selected NAICS industries, including the industries covered in this report, can be accessed electronically by visiting the Labor Productivity and Costs Web site: <http://www.bls.gov/lpc/home.htm>. While the index numbers and rates of change reported by BLS in this news release are rounded to one decimal place, all percent changes in this release and on the BLS web site are calculated using index numbers to three decimal places.

Additional related measures for selected detailed industries, including industry employment, annual hours, the net value of production, and the implicit price deflator for

output, can be obtained by sending an email request to dipsweb@bls.gov or by calling the Division of Industry Productivity Studies (202-691-5618).

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Table 1. Percent change in output per hour, output, hours, compensation, and unit labor costs, 2005-2006

NAICS code	Industry	2006 Employment (thousands)	Percent change, 2005-2006				
			Output per hour	Output	Hours	Labor compensation	Unit labor costs
Wholesale Trade							
42	Wholesale trade	6118	4.3	6.6	2.2	7.2	0.5
423	Durable goods	3185	5.1	8.3	3.0	7.0	-1.2
4231	Motor vehicles and parts	365	13.0	12.7	-0.2	3.1	-8.5
4232	Furniture and furnishings	123	7.4	8.7	1.2	5.8	-2.7
4233	Lumber and construction supplies	274	-2.5	2.8	5.5	8.3	5.3
4234	Commercial equipment	667	10.0	14.0	3.6	6.8	-6.3
4235	Metals and minerals	128	-3.1	1.0	4.2	5.4	4.4
4236	Electric goods	351	10.6	9.5	-0.9	8.0	-1.4
4237	Hardware and plumbing	260	0.9	5.6	4.7	6.9	1.2
4238	Machinery and supplies	694	3.8	6.1	2.2	7.7	1.6
4239	Miscellaneous durable goods	324	-10.2	-2.6	8.5	9.1	11.9
424	Nondurable goods	2143	2.7	4.3	1.5	5.4	1.0
4241	Paper and paper products	161	-1.3	0.9	2.2	4.6	3.6
4242	Druggists' goods	217	6.7	9.2	2.4	3.9	-4.9
4243	Apparel and piece goods	166	6.8	8.5	1.6	8.5	0.0
4244	Grocery and related products	747	0.7	3.6	2.8	6.5	2.8
4245	Farm product raw materials	77	11.8	6.3	-4.9	0.5	-5.4
4246	Chemicals	137	1.3	-0.8	-2.1	5.5	6.3
4247	Petroleum	103	3.4	3.4	0.0	10.1	6.5
4248	Alcoholic beverages	155	2.6	5.1	2.4	6.7	1.5
4249	Miscellaneous nondurable goods	382	2.0	3.1	1.1	1.8	-1.3
425	Electronic markets and agents and brokers	790	7.2	8.2	0.9	12.3	3.8
Retail Trade							
44-45	Retail trade	16389	4.9	4.1	-0.8	2.5	-1.5
441	Motor vehicle and parts dealers	2002	2.2	0.5	-1.6	1.6	1.1
4411	Automobile dealers	1306	2.4	1.1	-1.3	1.8	0.7
4412	Other motor vehicle dealers	181	0.8	-3.5	-4.3	-1.1	2.5
4413	Auto parts, accessories, and tire stores	516	-0.1	-1.7	-1.6	2.1	3.9
442	Furniture and home furnishings stores	650	7.4	8.0	0.6	4.3	-3.4
4421	Furniture stores	322	8.4	5.6	-2.6	3.4	-2.0
4422	Home furnishings stores	328	6.6	10.9	4.0	5.3	-5.0
443	Electronics and appliance stores	571	12.6	17.0	3.9	4.2	-11.0
444	Building material and garden supply stores	1378	6.5	7.9	1.3	4.0	-3.6
4441	Building material and supplies dealers	1208	5.9	7.5	1.5	4.8	-2.5
4442	Lawn and garden equipment and supplies stores	169	10.7	10.9	0.2	-2.2	-11.9
445	Food and beverage stores	2933	3.2	2.8	-0.5	1.8	-0.9
4451	Grocery stores	2524	1.8	2.1	0.3	2.6	0.5
4452	Specialty food stores	255	20.0	10.1	-8.3	-3.4	-12.2
4453	Beer, wine and liquor stores	154	5.0	7.7	2.6	-0.4	-7.6
446	Health and personal care stores	987	4.9	4.1	-0.7	4.8	0.7
447	Gasoline stations	882	-2.3	-1.3	1.0	0.7	2.0
448	Clothing and clothing accessories stores	1537	10.5	6.2	-3.9	1.1	-4.7
4481	Clothing stores	1142	10.9	6.5	-4.0	-0.3	-6.4
4482	Shoe stores	185	12.3	5.9	-5.7	4.6	-1.3
4483	Jewelry, luggage, and leather goods stores	210	7.1	4.6	-2.3	3.9	-0.6
451	Sporting goods, hobby, book, and music stores	726	6.3	7.0	0.7	1.1	-5.5
4511	Sporting goods and musical instrument stores	520	11.8	12.2	0.4	2.7	-8.5
4512	Book, periodical, and music stores	207	-6.6	-5.4	1.3	-2.7	2.9

Table 1. Percent change in output per hour, output, hours, compensation, and unit labor costs, 2005-2006

NAICS code	Industry	2006 Employment (thousands)	Percent change, 2005-2006				
			Output per hour	Output	Hours	Labor compensation	Unit labor costs
452	General merchandise stores	2944	5.1	5.0	0.0	3.9	-1.1
4521	Department stores	1563	2.9	-0.5	-3.4	0.2	0.8
4529	Other general merchandise stores	1381	5.4	8.8	3.3	8.1	-0.7
453	Miscellaneous store retailers	1084	12.2	8.2	-3.6	0.7	-6.9
4531	Florists	119	3.9	-4.6	-8.2	-7.9	-3.4
4532	Office supplies, stationery and gift stores	421	14.7	10.3	-3.8	-0.6	-9.9
4533	Used merchandise stores	191	4.4	11.0	6.3	9.6	-1.3
4539	Other miscellaneous store retailers	353	14.5	7.6	-6.1	0.9	-6.3
454	Nonstore retailers	695	17.3	10.1	-6.2	0.8	-8.5
4541	Electronic shopping and mail-order houses	296	18.2	14.7	-2.9	2.8	-10.4
4542	Vending machine operators	66	5.4	-4.8	-9.6	1.9	7.0
4543	Direct selling establishments	333	11.6	1.9	-8.7	-1.8	-3.6
	Food Services and Drinking Places						
722	Food services and drinking places	9656	2.4	4.9	2.4	7.2	2.1
7221	Full-service restaurants	4495	2.9	5.7	2.8	7.0	1.3
7222	Limited-service eating places	4082	3.2	5.4	2.1	6.6	1.1
7223	Special food services	700	-2.4	2.8	5.3	10.8	7.8
7224	Drinking places, alcoholic beverages	380	2.6	-2.3	-4.8	4.8	7.3

Table 2. Average annual percent change in output per hour, output, hours, compensation, and unit labor costs, 1987-2006

NAICS code	Industry	Average annual percent change, 1987-2006				
		Output per hour	Output	Hours	Labor compensation	Unit labor costs
Wholesale Trade						
42	Wholesale trade	3.5	4.2	0.7	5.0	0.7
423	Durable goods	5.6	6.2	0.5	5.1	-1.0
4231	Motor vehicles and parts	4.3	4.2	-0.1	4.3	0.1
4232	Furniture and furnishings	2.8	3.0	0.2	5.1	2.1
4233	Lumber and construction supplies	1.2	3.3	2.0	4.7	1.4
4234	Commercial equipment	15.6	16.4	0.6	5.3	-9.5
4235	Metals and minerals	-0.1	0.4	0.5	4.9	4.5
4236	Electric goods	9.1	8.9	-0.2	5.2	-3.4
4237	Hardware and plumbing	1.3	2.8	1.4	5.4	2.5
4238	Machinery and supplies	2.7	2.8	0.1	4.8	1.9
4239	Miscellaneous durable goods	1.5	2.7	1.1	5.8	3.0
424	Nondurable goods	1.3	1.7	0.3	5.1	3.3
4241	Paper and paper products	2.5	2.0	-0.5	4.2	2.1
4242	Druggists' goods	2.8	5.3	2.4	10.7	5.1
4243	Apparel and piece goods	3.0	2.8	-0.2	4.5	1.7
4244	Grocery and related products	0.9	1.9	1.0	5.0	3.0
4245	Farm product raw materials	2.1	-0.6	-2.7	3.3	4.0
4246	Chemicals	-0.1	0.8	0.9	4.9	4.1
4247	Petroleum	3.3	0.4	-2.9	3.1	2.7
4248	Alcoholic beverages	0.4	2.0	1.5	5.0	3.0
4249	Miscellaneous nondurable goods	0.7	0.8	0.1	3.6	2.9
425	Electronic markets and agents and brokers	2.0	4.7	2.6	4.6	-0.1
Retail Trade						
44-45	Retail trade	3.4	4.2	0.8	4.0	-0.2
441	Motor vehicle and parts dealers	2.7	3.8	1.1	4.4	0.5
4411	Automobile dealers	2.5	3.7	1.2	4.5	0.7
4412	Other motor vehicle dealers	3.5	6.0	2.4	6.4	0.4
4413	Auto parts, accessories, and tire stores	2.5	3.0	0.5	3.3	0.3
442	Furniture and home furnishings stores	4.2	5.4	1.2	4.5	-0.8
4421	Furniture stores	3.7	4.6	0.9	4.1	-0.5
4422	Home furnishings stores	4.8	6.4	1.5	5.0	-1.2
443	Electronics and appliance stores	13.4	15.6	1.9	4.9	-9.2
444	Building material and garden supply stores	3.4	5.5	2.0	4.7	-0.8
4441	Building material and supplies dealers	3.3	5.7	2.3	5.0	-0.7
4442	Lawn and garden equipment and supplies stores	4.3	4.4	0.0	2.9	-1.4
445	Food and beverage stores	0.5	0.4	-0.1	3.3	2.8
4451	Grocery stores	0.4	0.4	0.0	3.5	3.0
4452	Specialty food stores	0.5	0.4	-0.2	2.3	2.0
4453	Beer, wine and liquor stores	2.5	0.9	-1.6	2.4	1.5
446	Health and personal care stores	2.7	3.9	1.2	5.2	1.2
447	Gasoline stations	2.0	1.5	-0.4	2.5	1.0
448	Clothing and clothing accessories stores	4.9	5.0	0.1	3.3	-1.6
4481	Clothing stores	5.0	5.5	0.5	3.6	-1.8
4482	Shoe stores	4.4	3.0	-1.4	1.9	-1.1
4483	Jewelry, luggage, and leather goods stores	4.5	4.8	0.3	3.4	-1.4
451	Sporting goods, hobby, book, and music stores	4.6	5.1	0.5	4.1	-0.9
4511	Sporting goods and musical instrument stores	5.5	5.9	0.4	4.2	-1.6
4512	Book, periodical, and music stores	2.4	3.2	0.8	3.8	0.6

Table 2. Average annual percent change in output per hour, output, hours, compensation, and unit labor costs, 1987-2006

NAICS code	Industry	Average annual percent change, 1987-2006				
		Output per hour	Output	Hours	Labor compensation	Unit labor costs
452	General merchandise stores	3.9	5.6	1.6	4.1	-1.4
4521	Department stores	1.4	2.5	1.1	3.0	0.5
4529	Other general merchandise stores	7.3	9.6	2.1	5.6	-3.6
453	Miscellaneous store retailers	4.8	5.2	0.4	3.0	-2.1
4531	Florists	2.6	0.2	-2.3	0.6	0.4
4532	Office supplies, stationery and gift stores	6.8	7.1	0.2	3.5	-3.4
4533	Used merchandise stores	5.1	6.5	1.3	4.4	-2.0
4539	Other miscellaneous store retailers	2.9	4.4	1.4	2.7	-1.6
454	Nonstore retailers	8.9	9.3	0.4	3.8	-5.1
4541	Electronic shopping and mail-order houses	12.0	16.0	3.6	7.8	-7.1
4542	Vending machine operators	0.8	-1.5	-2.3	1.4	3.0
4543	Direct selling establishments	3.5	2.4	-1.1	1.6	-0.8
	Food Services and Drinking Places					
722	Food services and drinking places	0.8	2.5	1.7	5.6	3.0
7221	Full-service restaurants	0.9	2.7	1.8	6.6	3.8
7222	Limited-service eating places	0.8	2.7	2.0	5.4	2.6
7223	Special food services	1.4	2.5	1.1	3.8	1.3
7224	Drinking places, alcoholic beverages	-0.5	-0.5	0.0	2.4	2.9