issues in Labor Statistics

Summary 10-01 / February 2010 • U.S. Department of Labor • U.S. Bureau of Labor Statistics

Recession leads to lackluster employment in the trucking industry

Truck transportation is the most widely used method of hauling freight within the United States. According to the Bureau of Transportation Statistics, the U.S. transportation network hauled more than 13 billion tons of goods worth nearly $12 trillion in 2007. Trucks transported almost 9 billion tons of freight valued at more than $8 trillion for that same period.[1]

Employment in trucking generally follows the larger business cycle. Consequently when the demand for goods is stifled, the call for freight services is likewise sluggish. A dramatic slowdown in consumer demand has been crippling the Nation's trucking firms, making job losses during the current recession worse than at any time since the series began in 1990. (See chart 1.)

In the previous downturn, employment in trucking peaked in April 2000,[2] nearly a year before the official start of the recession. In addition to peaking before the economy as a whole, employment in trucking continued to fall for 36 consecutive months, 17 months after the official endpoint of the recession, as designated by the National Bureau of Economic Research.[3] During this time, the trucking industry cut 91,000 jobs from payrolls, or 6.4 percent of employment. The present downturn has witnessed a similar trend within the industry. The most recent employment peak occurred in January 2007, 11 months prior to the official starting point of the current recession. Since then, employment within the industry has declined for 35 months, resulting in the loss of 208,000 jobs, or 14.3 percent of employment. (See chart 2.)

One of the chief factors contributing to the current downward employment trend in the trucking industry is the lethargic state of the broader economy. As orders for goods and shipments recede because of soft production and fading sales, there has been an accompanying dip in the demand for freight services. This limited demand, compounded by tight credit for trucking firms and fluctuating diesel fuel prices, has left many workers in the trucking industry unable to find work.

Because trucks transport nearly all components and finished goods during some point in the supply chain, the health of the trucking industry is tied to that of the manufacturing sector. Industrial production has stalled over the last 7 months, as new durable shipments have dwindled and inventories have risen; fewer manufactured goods ultimately equates to less demand for freight services supplied by trucks. (See chart 3.)

This waning demand for truck transportation is also exemplified by the Purchasing Manager Index (PMI), which is a barometer of production in the manufacturing sector. The PMI is a composite index based on five major indicators: new orders, inventory levels, production, supplier deliveries, and employment. The index remained around 50 throughout most of 2008, but it dipped below 40 in October; it remained at similarly depressed levels through most of 2009, before notching back up above 50 in August 2009.[4]

One can also view trends in trucking employment as consumer driven. (See chart 4.) Consumers are struggling with stretched credit and a distressed housing market and are thus limiting discretionary spending, which for retailers translates into fewer sales. n real terms, retail sales figures were essentially flat throughout 2009.[5] As sales slow, inventories rise; hence, there is less need for the shipping services used to transport finished goods. Trucks then sit idle.

While the slowdown in the trucking industry can be attributed largely to weak production and sales, other factors such as fluctuating diesel fuel prices have also directly contributed to the declines. (See chart 5.) Although fuel prices have decreased since their peak in July 2008,[6] the effect of these higher prices lingers with many trucking companies. After labor costs, fuel represents motor carriers' highest operating expense, with smaller carriers typically spending a larger percentage of their total operating cost on diesel fuel.[7] As prices peaked and fuel surcharges were insufficient to cover costs, reports indicated that high diesel fuel prices were putting some small trucking companies out of business and causing others to reduce activity.[8] Since peaking in January 2007, truck transportation has cut 208,000 jobs from its payrolls.

In sum, the general slump in the economy, which led to declining production and reduced consumption, as well as fluctuating diesel fuel prices, has undermined the health of the U.S. trucking industry. Given the sector's dependence on the overall economy, trucking firms have been forced to cut jobs, as production and sales remain sluggish and credit stays tight. For additional information, contact Emily Richards or Frank Conlon, economists in the Divison of Current Employment Stastistics, Office of Employment and Unemployment Statistics. Email: **richards.emily@bls.gov or conlon.frank@bls.gov** Telephone: 202 691-6558 or 691-6258. □

Notes

[1] U.S. Department of Transportation Research and Innovative Technology Administration, Bureau of Transportation Statistics, Transportation Statistics Annual Report (Washington, DC: 2008), p. 25; on the Internet at **http://www.bts.gov/publications/transportation_statistics_annual_report/2008/pdf/entire.pdf**.

[2] Employment data used in this employment Statistics (CES) program, which each month surveys about 150,000 nonfarm businesses and government agencies, representing approximately 390,000 individual establishments. For more information on the program's concepts and methodology, see CES Technical Notes, on the BLS Web site at **http://www.bls.gov/ces/#publications**. CES data are available at http://www.bls.gov/ces. Data used in this article are seasonally adjusted unless otherwise noted.

[3] Recession dates are determined by the National Bureau of Economic Research (NBER). NBER has not yet deter-mined an endpoint for the recession that began in December 2007. For more information, see "U.S. Business Cycle Expansions and Contractions," on the NBER Web site at **http://www.nber.org/cycles/cyclesmain.html**.

[4] A PMI reading of more than 50 in a given month indicates an expasion compared with the prior month, a reading below 50 represents a contration, and a reading of 50 indicates zero change.

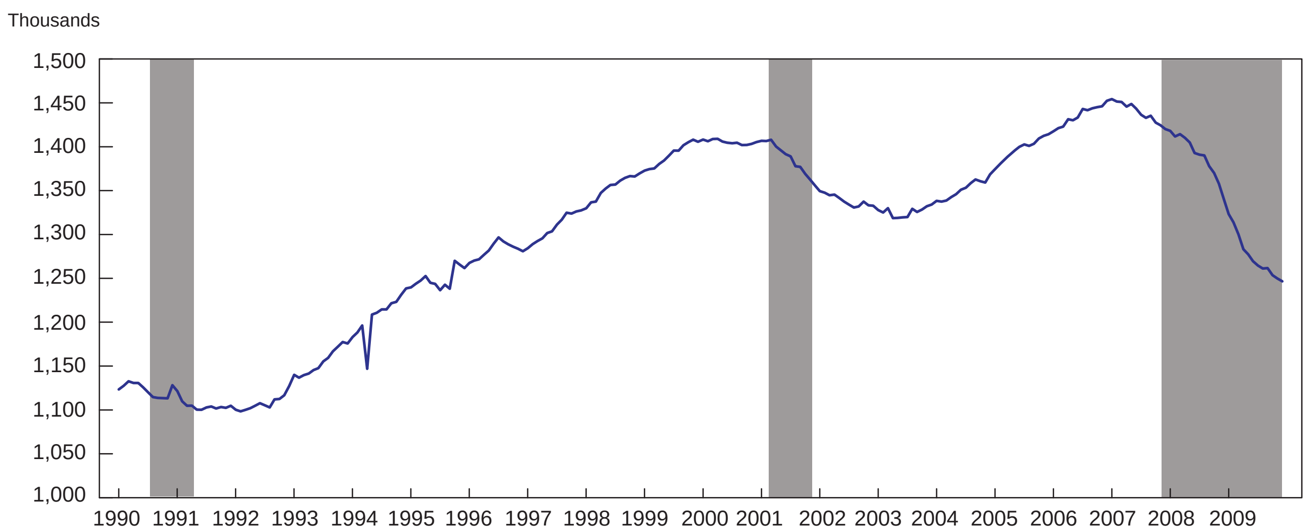
[5] Retail sales in real terms were derived by deflating retail sales by the consumer price index (CPI). Data on monthly retail sales are provided by the Census Bureau and can be found at http://www.census.gov. CPI data are produced by the Bureau of Labor Statistics; more information is available at http://www.bls.gov/cpi.

[6] Energy Information Administration, Monthly U.S. No 2 Diesel Retail Sales by All Sellers, on the Internet at **http://tonto.eia.doe.gov/dnav/pet/hist/ddr001m.htm**.

[7] The American Trucking Associations, inc., "The impact of rising gas prices on America's small businesses," Statement before the Senate Committee on Small Business and Entrepreneurship, June 14, 2007, on the Internet at **http://www.truckline.com/Newsroom/Testimony1/Testimony%20of%20Tim%20Lynch%20before%20the%20Senate%20Committee%20on%20Small%20Business%20on%20Impact%20of%20Rising%20Gas%20Prices.pdf.**

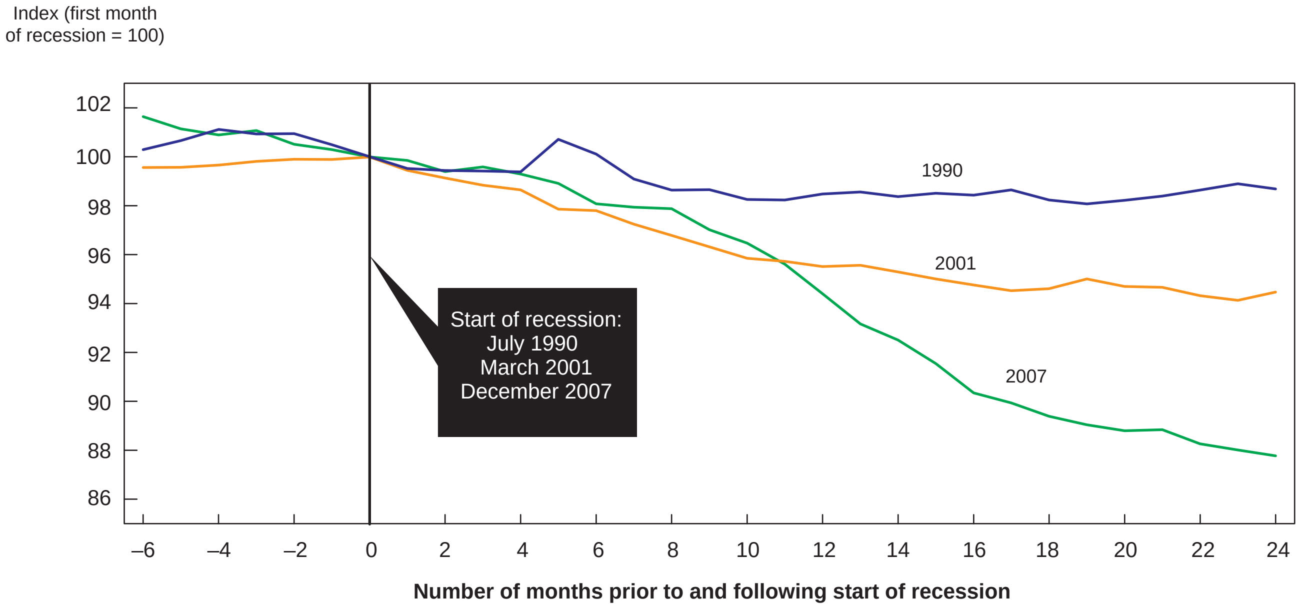
[8] Summary of Commentary on Current Economic Conditions by Federal Reserve Districts, April 2008, on the Internet at **http://www.federalreserve.gov/FOMC/Beigebook/2008/20080416/fullreport20080416.pdf**.

Chart 1. **Employment in truck transportation, seasonally adjusted, January 1990–December 2009**



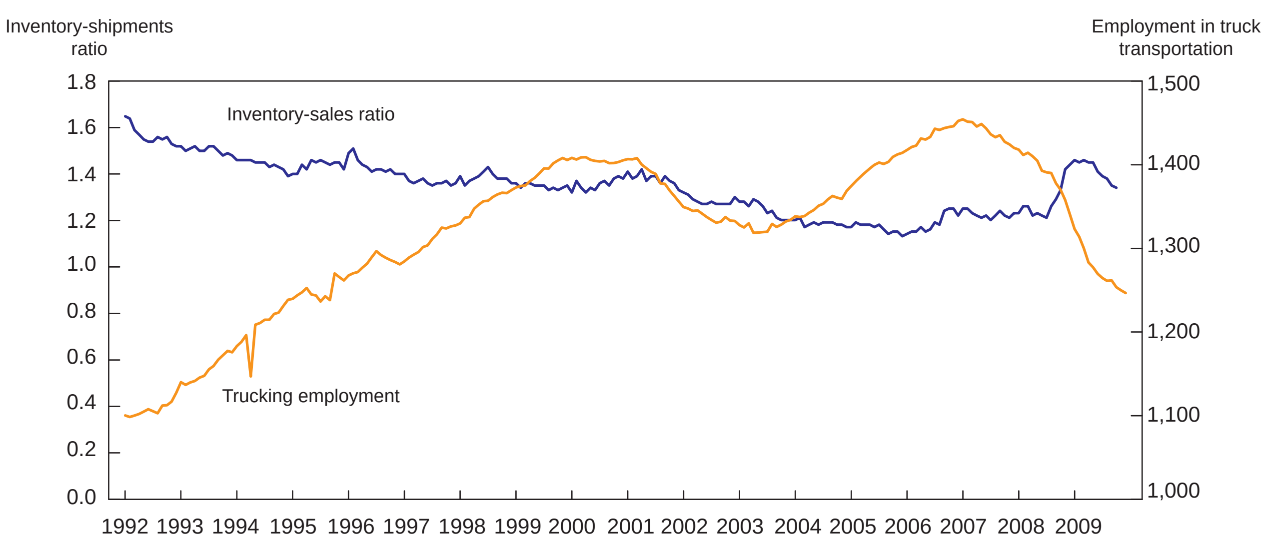
NOTE: Shaded areas represent recessions, as determined by the National Bureau of Economic Research (NBER). NBER has not yet determined an endpoint for the recession that began in December 2007.

Chart 2. **Index of truck transportation employment from beginning of last three recessions, seasonally adjusted**



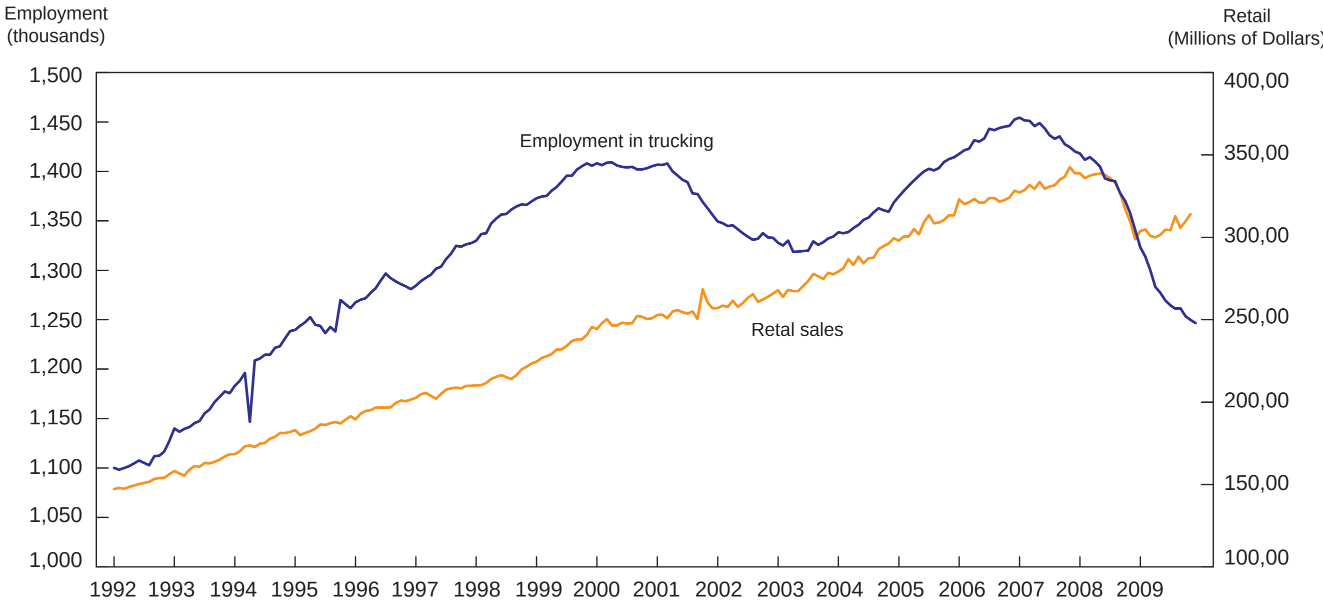
NOTE: Business cycle peak month for each recession = 0, as determined by the National Bureau of Economic Research.

Chart 3. **Inventory-Shipments ratio of total manufacturing and employment in truck transportation, seasonally adjusted, 1992–2009**



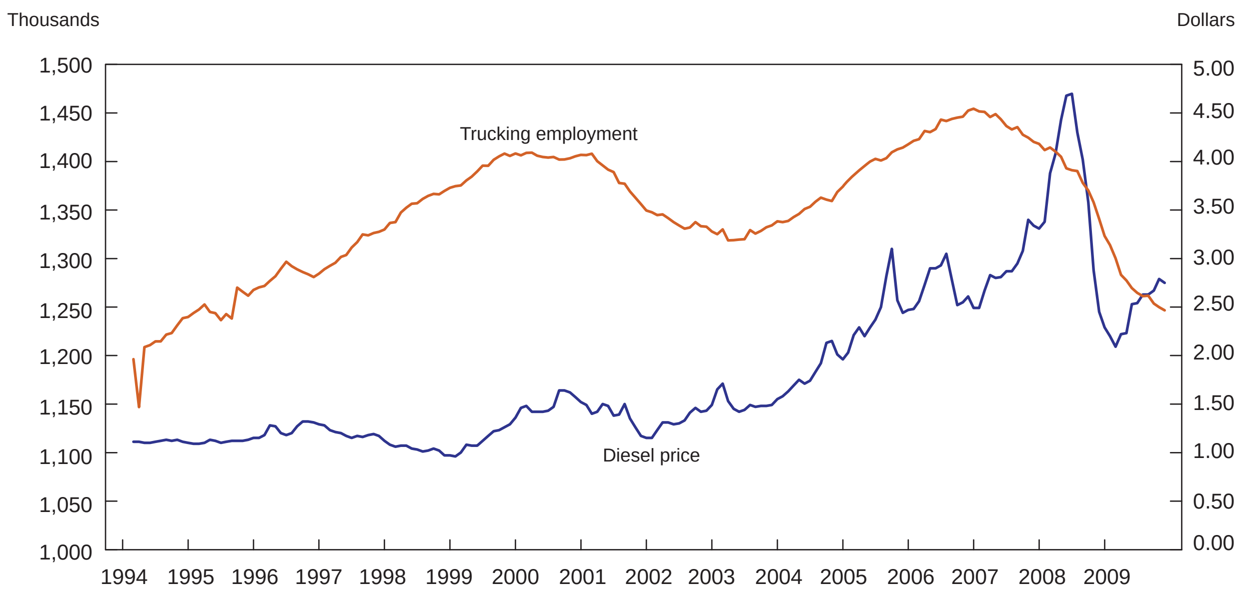
Source: U.S. Census Bureau.

Chart 4. **Retail sales and employment in truck transportation, seasonally adjusted, 1992–2009**



Source: U.S. Census Bureau.

Chart 5. **Diesel fuel prices and employment in truck transportation, seasonally adjusted, March 1994–December 2009**



Source: Energy Information Administration.