NEWS RELEASE
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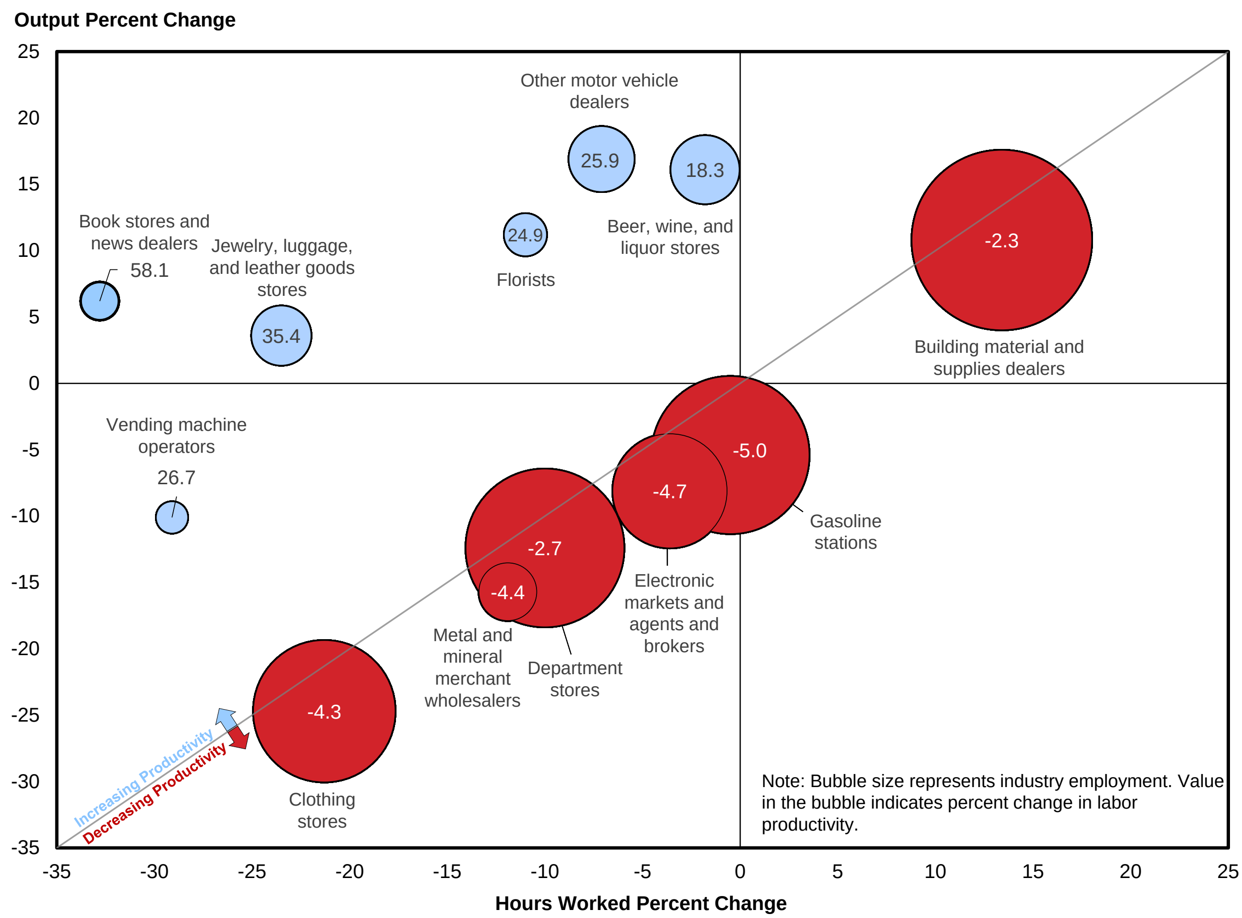
PRODUCTIVITY AND COSTS BY INDUSTRY
WHOLESALE TRADE AND RETAIL TRADE INDUSTRIES – 2020

Labor productivity rose 7.7 percent in retail trade and 3.6 percent in wholesale trade in 2020, the U.S. Bureau of Labor Statistics reported today. **Unit labor costs**, which reflect the total labor costs required to produce a unit of output, rose in wholesale trade and fell in retail trade.

Annual productivity growth for retail trade in 2020 was the highest since measurement began in 1987. In 2020 for retail trade and wholesale trade, hours worked fell at the fastest rates since 2009. Output increased at an accelerating rate for retail trade in 2020 while it decreased for the first time since 2010 for wholesale trade.

Chart 1. Largest changes in productivity in NAICS 4-digit wholesale and retail trade industries, 2020



Technical Note

Labor Productivity: Labor productivity describes the relationship between real output and the labor hours involved in its production. These measures show the changes from period to period in the amount of goods and services produced per hour worked. Although the labor productivity measures relate output in an industry to hours worked of all persons in that industry, they do not measure the specific contribution of labor to growth in output. Rather, they reflect the joint effects of many influences, including: changes in technology; capital investment; utilization of capacity, energy, and materials; the use of purchased services inputs, including contract employment services; the organization of production; the characteristics and effort of the workforce; and managerial skill.

Unit Labor Costs: Unit labor costs represent the cost of labor required to produce one unit of output. The unit labor cost indexes are computed by dividing an index of nominal industry labor compensation by an index of real industry output. Unit labor costs also describe the relationship between compensation per hour worked (hourly compensation) and real output per hour worked (labor productivity). When hourly compensation growth outpaces productivity, unit labor costs increase. Alternatively, when productivity growth exceeds hourly compensation, unit labor costs decrease.

Output: Industry output is measured as an annual-weighted index of the changes in the various products (in real terms) provided for sale outside the industry. Real industry output for data in this release is derived by deflating nominal sales or values of production using price indexes. Industry output measures are constructed primarily using data from the economic censuses and annual surveys of the U.S. Census Bureau, U.S. Department of Commerce, together with information on price changes from BLS.

Labor Hours: Labor hours are measured as annual hours worked by all employed persons in an industry. Data on industry employment and hours come primarily from the BLS Current Employment Statistics (CES) survey and Current Population Survey (CPS). CES data on the number of total and production worker jobs held by wage and salary workers in nonfarm establishments are supplemented with CPS data on self-employed and unpaid family workers to estimate industry employment. Hours worked estimates are derived using CES and CPS employment, CES data on the average weekly hours paid of production workers, CPS data on hours of nonproduction, self-employed, and unpaid family workers, and ratios of hours worked to hours paid based on data from the National Compensation Survey (NCS). For some industries, employment and hours data are supplemented or further disaggregated using data from the BLS Quarterly Census of Employment and Wages (QCEW), the Census Bureau, or other sources. Hours worked are estimated separately for different types of workers and then are directly aggregated; no adjustments for labor composition are made.

Labor Compensation: Labor 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 both 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. Industry compensation measures are constructed primarily using data from the BLS QCEW and the economic censuses of the Census Bureau, U.S. Department of Commerce.