University of Nebraska - Lincoln
DigitalCommons@University of Nebraska - Lincoln

Business in Nebraska | Bureau of Business Research

4-1-2009

PRODUCER SERVICES: AN ENGINE FOR JOB GROWTH

Steve Carlson
University of Nebraska-Lincoln

Hanna Hartman
University of Nebraska-Lincoln, hannab243@hotmail.com

Eric Thompson
University of Nebraska-Lincoln, ethompson2@unl.edu

Follow this and additional works at: http://digitalcommons.unl.edu/bbrbin

Part of the Entrepreneurial and Small Business Operations Commons

Carlson, Steve; Hartman, Hanna; and Thompson, Eric, "PRODUCER SERVICES: AN ENGINE FOR JOB GROWTH" (2009). *Business in Nebraska.* Paper 56.
http://digitalcommons.unl.edu/bbrbin/56

This Article is brought to you for free and open access by the Bureau of Business Research at DigitalCommons@University of Nebraska - Lincoln. It has been accepted for inclusion in Business in Nebraska by an authorized administrator of DigitalCommons@University of Nebraska - Lincoln.

Business in Nebraska

VOLUME 64 NO. 694 PRESENTED BY THE UNL BUREAU OF BUSINESS RESEARCH (BBR) APRIL 2009

PRODUCER SERVICES: AN ENGINE FOR JOB GROWTH

By Steve Carlson, Hanna Hartman, and Eric Thompson

Introduction

Producer services providers are firms that sell services primarily to the business community rather than to individuals and households. Accounting firms, consultants, and computer design services are prominent examples of producer services businesses. Given their importance as suppliers to the broader business community, producer services are a critical segment of the economy. Many producer services industries also are a rapidly growing and pay high wages. The producer services sectors in fact are the principal source of high wage job growth in our evolving service economy.

For all of these reasons, this article highlights the performance of the producer services sector in Nebraska. In particular, we examine the growth in producer services in the nation and in Nebraska in the last decade, and explore whether or not the state of Nebraska has captured a significant share of employment in producer services.

Nationwide Growth

Most high wage producer services businesses are found either in the Financial Activities sector or the Professional, Scientific, and Technical Services sector. The Financial Activities sector includes banks and financing, securities, commodity contracts, insurance carriers and related activities, and funds and trusts. The Professional, Scientific, and Technical Services sector includes legal services, accounting, architecture, engineering, design services, computer systems design, management, scientific and technical consulting, and advertising.

Table 1 shows the strong growth and higher wages paid nationwide in these two key producer services sectors. In Table 1, we see that the fastest employment growth in the United States from 1997 to 2007 occurred in Professional, Scientific, and Technical Services. Sector employment grew 36.1%, which is even a faster rate of growth than was found for the education and health services industry.

As of 2007 the Professional, Scientific, and Technical Services sector also paid the highest mean hourly wage at $30.47 per hour. These wages were paid to workers in a variety of high skill occupations including lawyers, accountants and tax preparers, engineers, computer programmers, technical consultants, veterinarians, and scientific researchers, just to name a few.

The Financial Activities sector had a mean wage of $25.57 per hour in 2007, which was the fourth highest among sectors. Financial Activities employment grew by 15.6% from 1997 to 2007, which was 3.5% above the all industry average of 12.1%. Key skilled occupations within Financial Activities include loan officers, claims adjusters, actuaries, real estate agents, stock brokers, and financial analysts.

A natural question is: where are these higher paying jobs being created? As it turns out, many of

Table 1: Growth and Wages of NAICS Industries in the U.S.				
Industry	Employment 1997 (Thousands)	Employment 2007 (Thousands)	Percent Growth 1997-2007	Mean Hourly Wage 2007
All Employees	122,776.0	137,598.0	12.1%	
Natural Resources & Mining	654.0	724.0	10.7%	$23.17
Construction	5,813.0	7,630.0	31.3%	$20.83
Manufacturing	17,419.0	13,879.0	-20.3%	$20.09
Wholesale Trade	5,663.9	6,015.2	6.2%	$22.55
Retail Trade	14,388.9	15,520.0	7.9%	$13.37
Transportation	4,026.5	4,540.9	12.78%	$20.01
Utilities	620.9	553.4	-10.87%	$27.83
Information	3,084.0	3,032.0	-1.7%	$26.25
Financial Activities	7,178.0	8,301.0	15.6%	$25.57
Professional, Scientific and Technical Services	5,628.8	7,659.5	36.1%	$30.47
Management of companies and enterprises	1,729.7	1,866.4	7.9%	$29.93
Administrative and Waste Services	6,976.6	8,416.3	20.6%	$15.11
Education and Health Services	14,087.0	18,322.0	30.1%	$21.62
Leisure and Hospitality	11,018.0	13,427.0	21.9%	$14.58
Other Services	4,825.0	5,494.0	13.9%	$15.78
Government	19,664.0	22,218.0	13.0%	$23.00

Source: U.S. Bureau of Labor Statistics

the producer services businesses in the Financial Activities and the Professional, Scientific, and Technical Services sectors are concentrated in larger cities. This can be seen in Table 2, which shows how major cities in the United States compare in terms of the share of 2007 employment in the two producer services sectors.

Washington, D.C. is a city that stands out as having the greatest share of employment in the Professional and Technical Services sector at 15.3%. New York has the greatest share of employment in the Financial Activities sector at 11.1%. All of these major cities, except for Phoenix, exhibit greater shares of employment in the Professional and Technical Services sector greater than the national average of 6.0%. With the exceptions of Washington, D.C. and Detroit, all of the major cities listed above have greater shares of employment in the Financial Activities sector than the national average of 5.6%. Clearly, the two sectors concentrate in large metropolitan areas.

Table 2: Share of Employment in Producer Service Industries 2007		
Area	Professional and Technical Services	Financial Activities
United States	6.0%	5.6%
Los Angeles	6.6%	6.0%
New York	8.1%	11.1%
Chicago	7.4%	7.6%
Philadelphia	8.2%	7.6%
Washington, D.C.	15.3%	4.7%
Detroit	6.7%	4.7%
Houston	7.0%	5.7%
Atlanta	7.0%	6.6%
Dallas	7.2%	8.9%
Phoenix	5.3%	8.0%

Source: U.S. Bureau of Labor Statistics

Table 3: Growth of NAICS Industries in Nebraska			
Industry	Employment 1997 (Thousands)	Employment 2007 (Thousands)	% Growth 1997-2007
All Employees	857.1	962.6	12.3%
Natural Resources & Mining & Construction (1)	39.8	50.5	26.9%
Manufacturing	112.3	101.3	-9.8%
Wholesale Trade	41.0	40.7	-0.7%
Retail Trade	105.0	107.7	2.6%
Transportation & Utilities	41.4	56.1	35.5%
Information	25.0	19.3	-22.8%
Financial Activities	55.5	69.0	24.3%
Professional and Technical Services	31.0	40.8	31.6%
Management of companies and enterprises	10.5	17.4	65.7%
Administrative and Waste Services	45.9	46.3	0.9%
Education and Health Services	94.9	132.4	39.5%
Leisure and Hospitality	72.1	82.2	14.0%
Other Services	30.7	34.9	13.7%
Government	152.2	164.1	7.8%

Source: U.S. Bureau of Labor Statistics
(1) Natural Resources & Mining combined with Construction

Producer Services in Nebraska

Nebraska does not have cities as large as those featured in Table 2. This raises the question: are producer services as large a part of the economy in Nebraska as nationwide? The answer can be found in Table 3, which compares growth across industry sectors for the state of Nebraska.

As seen in Table 3, there was rapid growth in Financial Activities and Professional, Scientific, and Technical Services in Nebraska in between 1997 and 2007. Employment grew by 31.6%. This is just below the national growth rate of 36.1%. Financial Activities grew by 24.3%, which is a nearly 9% above the national average

However, as of 2007, Nebraska did lag the nation in one of the two key producer services sectors, Professional, Scientific, and Technical Services. This is seen in Table 4, which shows that the

overall industrial structure of Nebraska is similar to the nation. Both in Nebraska and nationwide, the largest share of employment is in the Government sector. Further, the share of jobs in manufacturing, retail trade, and education and health services also is similar. Nebraska even had a higher share of jobs in Financial Activities. But, there is a lower share of employment in the Professional and Technical Services sector (4.2%) in Nebraska than nationwide (5.6%).

Summary and Discussion

Nebraska had solid growth in the high-growth high-wage producer services sectors. This is a sign of strength for the Nebraska economy. The state, however, did have relatively few jobs in the Professional, Scientific, and Technical Services

Table 4: Share of Employment of NAICS Industries in Nebraska and United States: 2007		
Industry	United States	Nebraska
All Employees	100.0%	100.0%
Natural Resources & Mining	0.5%	5.2%(1)
Construction	5.5%	
Manufacturing	10.1%	10.5%
Wholesale Trade	4.4%	4.2%
Retail Trade	11.3%	11.2%
Transportation & Utilities	3.7%	5.8%
Information	2.2%	2.0%
Financial Activities	6.0%	7.2%
Professional and Technical Services	5.6%	4.2%
Management of companies & enterprises	1.4%	1.8%
Administrative & Waste Services	6.1%	4.8%
Education & Health Services	13.3%	13.8%
Leisure & Hospitality	9.8%	8.5%
Other Services	4.0%	3.6%
Government	16.1%	17.0%

(1)Natural Resources & Mining & Construction combined for Nebraska
Source: U.S. Bureau of Labor Statistics

sector. This presumably occurs because Nebraska has a large non-metropolitan population and not because the sector struggles in Lincoln or Omaha. This expectation is verified in Table 5, which compares sector growth in both Lincoln and Omaha to a set of peer cities. The peer cities were chosen based upon similar characteristics of population and geographical locations. We avoided choosing peer cities that were on the east coast or west coast. Omaha's peer cities consisted of Little Rock, Tucson, Denver, Indianapolis, Louisville, Baton Rouge, Minneapolis-St.Paul, Kansas City, Albuquerque, Columbus, Dayton, Oklahoma City, Tulsa, Salt Lake City, and Milwaukee. Lincoln's peer cities consisted of Fort Collins, Austin, Des Moines, Duluth, Fargo, Sioux Falls, Springfield, MO, Topeka, Green Bay, Monroe, LA, Flagstaff, Lansing, Akron, Boise, ID, and Jonesboro, AR.

As seen in Table 5, Omaha is doing much better that its peer cities in the Finance and Insurance sector. This sector employed 6.78% of Omaha's workforce in 2007, while its peer cities average was 5.16%. In fact, Omaha is amongst the leaders of its peer cities in this sector, with a share more than one standard deviation above the peer city average. However, Omaha is slightly behind its peer cities average in the Professional, Scientific and Technical Services sector. Lincoln, on the other hand, had a higher share of jobs than its peer cities in both the sectors.

These results confirm that the two producer sectors are doing well in Nebraska cities. And, more generally, that producer services are an area of high wage job growth for the state economy.

Table 5: Share of Employment in Producer Services Industries in Nebraska Metropolitan Areas and Similar Areas in other States

	Industry Share of 2007 Employment by Industry		
	Nebraska MSA	Peer Cities Average	Peer Cities Standard Deviation
Omaha			
Finance and Insurance	6.78%	5.16%	1.18%
Professional and Technical Services	6.16%	6.56%	1.17%
Lincoln			
Finance and Insurance	6.35%	5.43%	2.82%
Professional and Technical Services	6.20%	5.19%	1.84%

Source: Bureau of Labor Statistics

Our Thanks …

The Bureau of Business Research is grateful for the good work of our graduate students Hanna Hartman and Steve Carlson for their excellent work on *Business in Nebraska* this past year.

Copyright 2007 by Bureau of Business Research, University of Nebraska-Lincoln. Business in Nebraska is published in four issues per year by the Bureau of Business Research. Inquiries should be directed to Bureau of Business Research, 347 CBA, University of Nebraska–Lincoln 68588-0406. See the latest edition of Business in Nebraska at http://www.bbr.unl.edu

Bureau of Business Research [BBR]
Specializes in …

- ➔ Studies of economic competitiveness
- ➔ Economic modeling and forecasting
- ➔ Labor market analysis
- ➔ Fiscal analysis
- ➔ Policy analysis

For more information on how BBR can assist you or your organization, contact us (402) 472-3188; send email to: ethompson2@unl.edu; or visit the website at: http://www.bbr.unl.edu

The University of Nebraska-Lincoln does not discriminate based on gender, age, disability, race, color, religion, marital status, veteran's status, national or ethnic origin, or sexual orientation.