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PRODUCER SERVICES: AN ENGINE FOR HIGH-WAGE JOB GROWTH

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Introduction

Producer services providers are firms that sell services primarily to the business community rather than to individuals and households. Many producer services businesses are classified in the Professional, Scientific and Technical Service (PSTS) industry. Accounting firms, consultants, and computer design services are prominent examples of PSTS businesses that are worth studying for three reasons:

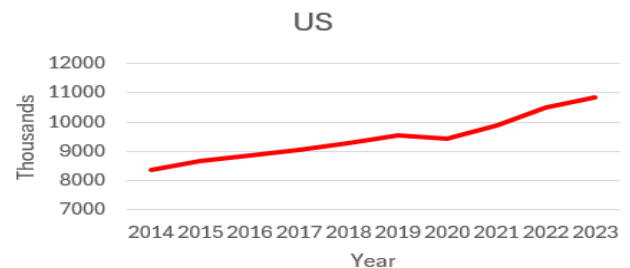
1. **SUPPORT OF OTHER INDUSTRIES:** PSTS industries supply the broader business community, making them a critical segment of the economy.
2. **RAPID HIGH WAGE JOB GROWTH:** Many PSTS industries are rapidly growing and pay high wages. The producer services sector, in fact, is the principal source of high wage job growth in our evolving service economy.
3. **STEM ASSOCIATION:** PSTS industries employ high numbers of STEM workers, itself a critical segment of the economy. By 2033 nearly 35% of the jobs in the top ten most employed STEM occupations are expected to be in the PSTS industry¹.

This report highlights the performance of the PSTS sector in the nation and Nebraska over the last decade and explores whether the state of Nebraska has captured a significant share of sector employment. The report updates of 2015, 2017, 2019, and 2020 reports on the same topic authored by Brock Thompson, Eric Thompson, Uyen Tran, Kalana Jayanetti, and Spencer Cook. The current report covers a period containing the recession caused by the Covid-19 Pandemic.

Nationwide Growth

Figure 1 shows the national employment in the PSTS sector from 2014 to 2023. PSTS industries lost jobs in the aftermath of the COVID-19 recession but are now expanding steadily. Between 2014 and 2023, the PSTS sector had the third highest growth rate, at 29.09% nationwide, as seen in Figure 2. This growth rate is exceeded only by Transportation, Warehousing, and Construction.

Figure 1 **US PSTS Employment 2014-2023**



Source: CES, US Bureau of Labor Statistics

¹ Data from the Employment Projections program, U.S. Department of Labor, U.S. Bureau of Labor Statistics (BLS). The list of top STEM occupations comes from the January 2017 BLS STEM Occupations: Past, Present, and Future report (page 4).

Figure 2 **US Industries 2014-2023**

| Industry | 2014 Employment (thousands) | 2023 Employment (thousands) | '14-'23 % Employment Growth | '19-'23 % Employment Growth | Mean Weekly Wage 2023* (\$) |
|-------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Administrative and Waste Services | 8564.1 | 9456.6 | 10.42% | 1.48% | 1081 |
| Transportation and Warehousing | 4648.6 | 6565.3 | 41.23% | 15.89% | 1231 |
| Leisure and Hospitality | 14696 | 16593 | 12.91% | 0.04% | 611 |
| Professional and Technical Services | 8385.5 | 10825 | 29.09% | 13.52% | 2332 |
| Construction | 6151 | 8018 | 30.35% | 7.01% | 1484 |
| Education and Health Services | 21439 | 25342 | 18.21% | -79.59% | 1206 |
| Total Nonfarm | 138939 | 156051 | 12.32% | 3.41% | 1396 |
| Financial Activities | 7977 | 9197 | 15.29% | 5.06% | 2286 |
| Retail Trade | 15313.4 | 15590.1 | 1.81% | 0.20% | 791 |
| Other Services | 5567 | 5826 | 4.65% | -1.10% | 975 |
| Manufacturing | 12185 | 12940 | 6.20% | 0.96% | 1588 |
| Wholesale Trade | 5739.5 | 6116.1 | 6.56% | 3.86% | 1896 |
| Mining and Logging | 891 | 640 | -28.17% | -11.97% | 2285 |
| Information | 2726 | 3027 | 11.04% | 5.69% | 2979 |
| Government | 21882 | 22782 | 4.11% | 0.75% | 1363 |
| Utilities | 551.5 | 575.4 | 4.33% | 4.73% | 2471 |

*Wage data represents Mean Weekly Wage of workers in the private sector

**Government mean weekly wage calculated as a simple average of Federal, State and Local Government wages

Employment Source: CES, US Bureau of Labor Statistics

Wage Source: QCEW, US Bureau of Labor Statistics

Figure 2 also shows the higher wages paid nationwide in the Professional, Scientific and Technical Services sector. In 2023 the PSTS sector paid the third highest mean wage among BLS supersectors at \$2,332 per week. 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, market researchers and scientific researchers, just to name a few.

A natural question is: where are these higher paying jobs being created? As it turns out, many of the businesses in the PSTS sector are concentrated in larger cities. This can be seen in Figure 3, which shows how select major cities in the United States compare in terms of the share of 2023 employment in the PSTS sector. Washington, D.C. is a city that stands out as having the highest share of employment at 16.68%.

This high share may result from a large number of consultants and attorneys who work with the federal government. However, all of these major cities, except for Phoenix, exhibit greater shares of employment in the PSTS sector than the national average share, which is 6.94% (Figure 4). PSTS businesses are drawn to large metropolitan areas by factors such as a concentration of potential clients and an abundance of skilled labor.

Figure 3 **Major US Regions PSTS Share of Employment**

| Major Metropolitan Area | PSTS Concentration (2023) |
|-------------------------|---------------------------|
| Phoenix | 5.94% |
| LA | 7.31% |
| Philadelphia | 8.25% |
| Dallas | 9.17% |
| Houston | 8.16% |
| Detroit | 10.30% |
| Atlanta | 8.90% |
| DC | 16.68% |

Source: CES, US Bureau of Labor Statistics

Producer Services in Nebraska

Nebraska does not have cities as large as those featured in Figure 3. This raises the question: are producer services as large a part of the economy in Nebraska as nationwide? The answer can be found in Figure 4, which compares the share of employment by industry sector for the state of Nebraska and the nation. PSTS accounted for just 4.85% of nonfarm employment in Nebraska in 2023 compared to 6.94% nationally, as seen in Figure 4.

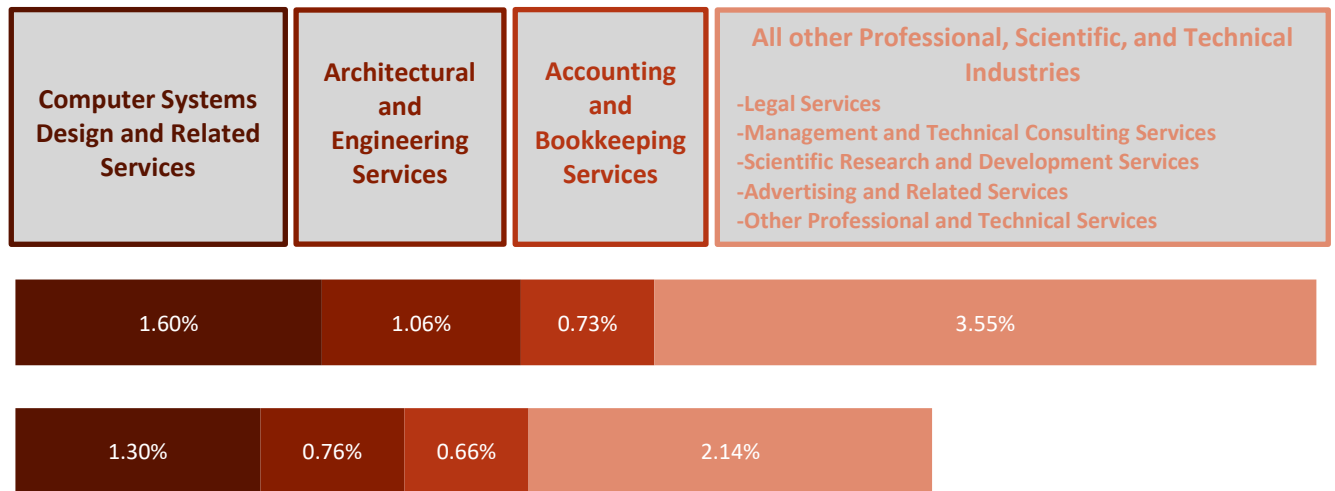
Furthermore, the PSTS sector is so diverse, it is helpful to understand the distribution of employment among PSTS subindustries, as shown in Figure 5. As a share of nonfarm employment, we can see that Nebraska lags the nation in employment concentration for all PSTS subindustries.

Figure 4 US / NE Industry Employment Shares (2023)

| Industry | US | Nebraska |
|-------------------------------------|--------|----------|
| Government | 14.60% | 16.62% |
| Education and Health Services | 16.24% | 15.43% |
| Retail Trade | 9.99% | 9.97% |
| Manufacturing | 8.29% | 10.00% |
| Leisure and Hospitality | 10.63% | 9.24% |
| Financial activities | 5.89% | 6.71% |
| Transportation and Warehousing | 4.21% | 4.84% |
| Administrative and Waste Services | | |
| Construction | 5.14% | 5.81% |
| Professional and Technical Services | 6.94% | 4.85% |
| Wholesale Trade | 3.92% | 4.01% |
| Other Services | 3.73% | 3.53% |
| Information | 1.94% | 1.64% |
| Utilities | | |
| Mining and Logging | 0.41% | 0.10% |

Source: CES, US Bureau of Labor Statistics

Figure 5 PSTS Subindustry Shares (as a percentage of total nonfarm employment) 2023

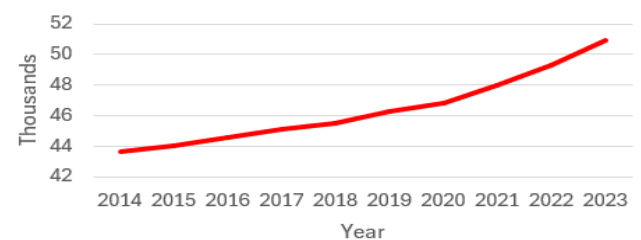


Source: CES, US Bureau of Labor Statistic

However, the sector size is still growing in the state. Nebraska added jobs in the PSTS sector between 2014-2023, including during the Covid-19 recession, and the industry is still growing (Figure 6).

If Nebraska has a lower share of PSTS employment, is the state at least closing the gap? In other words, is PSTS employment growing faster in Nebraska than nationwide?

Figure 6 NE PSTS Employment 2014-2023



Source: CES, US Bureau of Labor Statistics

Figure 7 shows the recent growth of PSTS employment in Nebraska. Even though Nebraska PSTS employment grew by 16.74% between 2014 and 2023, it did not keep pace with national PSTS employment growth of 29.09%. Further, Nebraska did not close the gap for the 2019 to 2023 period.

Nebraska PSTS employment grew 9.94% from 2019 to 2023 compared to 13.52% nationwide. Finally, Nebraska’s PSTS sector paid a mean weekly wage of \$1,665 in 2023, which is just 71.40% of the weekly wage of the national PSTS sector.

Figure 7 **Nebraska Industries 2014-2023**

| Industry | 2014 Employment (thousands) | 2023 Employment (thousands) | '14-'23 % Employment Growth | '19-'23 % Employment Growth | Mean Weekly Wage 2023* (\$) |
|-------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Administrative and Waste Services | 49.7 | 53.4 | 7.44% | 2.30% | 1107 |
| Transportation and Warehousing | 52.2 | 50.8 | -2.68% | -1.74% | 1141 |
| Leisure and Hospitality | 87 | 96.9 | 11.38% | 3.19% | 426 |
| Professional and Technical Services | 43.6 | 50.9 | 16.74% | 9.94% | 1665 |
| Construction | 46.3 | 60.9 | 31.53% | 13.20% | 1283 |
| Education and Health Services | 147.9 | 161.8 | 9.40% | 3.25% | 1146 |
| Total Nonfarm | 992.8 | 1048.9 | 5.65% | 2.14% | 1139 |
| Financial Activities | 70.9 | 70.4 | -0.71% | -6.13% | 1632 |
| Retail Trade | 108.2 | 104.6 | -3.33% | -0.66% | 684 |
| Other Services | 36.8 | 37 | 0.54% | -0.54% | 818 |
| Manufacturing | 97.5 | 104.9 | 7.59% | 5.11% | 1232 |
| Wholesale Trade | 42.5 | 42.1 | -0.94% | 4.73% | 1584 |
| Mining and Logging | 1.2 | 1 | -16.67% | -9.09% | 1426 |
| Information | 17.8 | 17.2 | -3.37% | -0.58% | 1625 |
| Government | 169.6 | 174.3 | 2.77% | 0.35% | 1168 |
| Utilities | 1 | 1.1 | 10.00% | 10.00% | 4129 |

Employment Source: CES, US Bureau of Labor Statistics

Wage Source: QCEW, US Bureau of Labor Statistics

Producer Services in Nebraska Cities

Nebraska has fewer jobs, and relatively slow job growth, in high-wage PSTS sectors. This occurs in part because Nebraska has a large non-metropolitan population and mid-size rather than large cities.

However, Nebraska metropolitan areas also tend to lag in PSTS activity compared to similar-sized cities, although the only large gap occurs in the Omaha metro area. This is seen in Figure 8, 9, and 10, which compare the concentration of PSTS

employment in Omaha, Lincoln, and Grand Island to a set of peer metros. Peer metros were similar in terms of population and geographic location.

Omaha is behind its peer metros in the share of PSTS employment. Omaha is ranked 7th out of 9, and its 5.55% share is below the 6.94% average.

³ “Peer” and “aspirational” cities for Omaha and Lincoln were selected largely from studies produced by the UNL Bureau of Business Research for the Greater Omaha and Lincoln Chambers of Commerce. A different selection of peer regions might show the Nebraska metros in a different light.

Figure 8 **Omaha Comparison Metropolitan Areas (2023)**

| PEER COMPARISONS | PSTS Concentration (2023) |
|------------------|---------------------------|
| Louisville | 5.11% |
| Milwaukee | 5.37% |
| Omaha | 5.55% |
| Oklahoma City | 5.76% |
| Des Moines | 5.85% |
| Boise | 6.68% |
| Kansas City | 8.34% |
| Salt Lake City | 9.33% |
| Colorado Springs | 10.48% |
| Peer average | 6.94% |

Source: CES, US Bureau of Labor Statistics

The Lincoln metro PSTS concentration is 4.94%, somewhat below its peer average of 5.06%.

Figure 9 **Lincoln Comparison Metropolitan Areas (2023)**

| PEER COMPARISONS | PSTS Concentration (2023) |
|------------------|---------------------------|
| Lansing | 4.69% |
| Fargo | 4.90% |
| Lincoln | 4.94% |
| Louisville | 5.11% |
| Lexington | 5.66% |
| Peer average | 5.06% |

Source: CES, US Bureau of Labor Statistics

Grand Island finds itself in a similar position, with a 3.35% share only 0.13% below the average.

Figure 10 **Grand Island Comparison Metropolitan Areas (2023)**

| PEER COMPARISONS | PSTS Concentration (2023) |
|------------------|---------------------------|
| Grand Forks | 2.77% |
| Dubuque | 3.14% |
| Grand Island | 3.35% |
| Laramie | 4.65% |
| Peer average | 3.48% |

Source: QCEW, US Bureau of Labor Statistics
Grand Island Source: QCES, Nebraska Department of Labor's NEWorks

Nebraska also has a significant share of its population living in rural areas, and these areas also have a smaller concentration of PSTS jobs. Figure 11 illustrates the extent to which Nebraska producer services employment is concentrated in

Nebraska's micropolitan counties (regions with a population between 10,000 and 50,000). Micropolitan areas tend to have a relatively low concentration of employment in PSTS industries. However, Buffalo County has a higher PSTS concentration than Grand Island – while still being far from overtaking Lincoln or Omaha. Overall, the highest shares generally appear to be found in the southwestern regions of Nebraska, away from competitors in Omaha and Lincoln. PSTS employment share is 3.45% in Buffalo County and 2.85% in Scotts Bluff County.

Figure 11 **Nebraska PSTS Employment by County Area (2023)**

| Area | Average Weekly Wages | PSTS Concentration |
|--------------|----------------------|--------------------|
| Dawson | 982 | 0.96% |
| Dodge | 1234 | 1.43% |
| Platte | 1237 | 1.80% |
| Adams | 1120 | 2.12% |
| Madison | 1261 | 2.15% |
| Scotts Bluff | 1083 | 2.85% |
| Buffalo | 1187 | 3.45% |

Source: QCEW, US Bureau of Labor Statistics

Summary

The PSTS sector is comprised of businesses that primarily provide services to other businesses (i.e., producer services). The PSTS sector is a fast-growing, high-wage sector in the nation. However, Nebraska lags the nation in terms of the PSTS sector. PSTS employment made up 4.85% of Nebraska employment compared to 6.94% nationwide and grew 16.74% in Nebraska between 2014 and 2023 compared to 29.09% nationwide. This pattern is partly the result of Nebraska's urban structure, characterized by small and mid-size metropolitan areas and a large non-metropolitan population. Nonetheless, there are policies which may be able to grow PSTS employment. These are increased training of STEM workers, an improved tax environment for small businesses, and improvements in quality of life which make the state even more attractive to college graduates.