

TENNESSEE LOGISTICS



IMPORTANCE TO THE ECONOMY

Tennessee is home to a number of world-class transportation companies responsible for more than 60,000 jobs.

by David A. Penn

As explained in this issue, logistics has to do with how companies manage the transportation, storage, and inventory of raw materials, intermediate inputs, and finished outputs. Unfortunately, getting a handle on just how important logistics is as a source of payroll and employment is difficult, since in many cases these functions are produced internally and employment records do not distinguish supply chain functions from other activities. However, we do know quite a lot about certain industries that are entirely engaged in logistics: wholesale trade, transportation, and warehousing. This article briefly outlines the importance of these sectors for the Tennessee economy.

First, it is important to note that Tennessee is home to a number of world-class transporta-

tion companies, including FedEx (Memphis), U.S. Xpress (Chattanooga), Covenant Transport (Chattanooga), Northwest Airlines (Memphis), Ingram (Nashville), and Technicolor Distribution Company (Nashville).

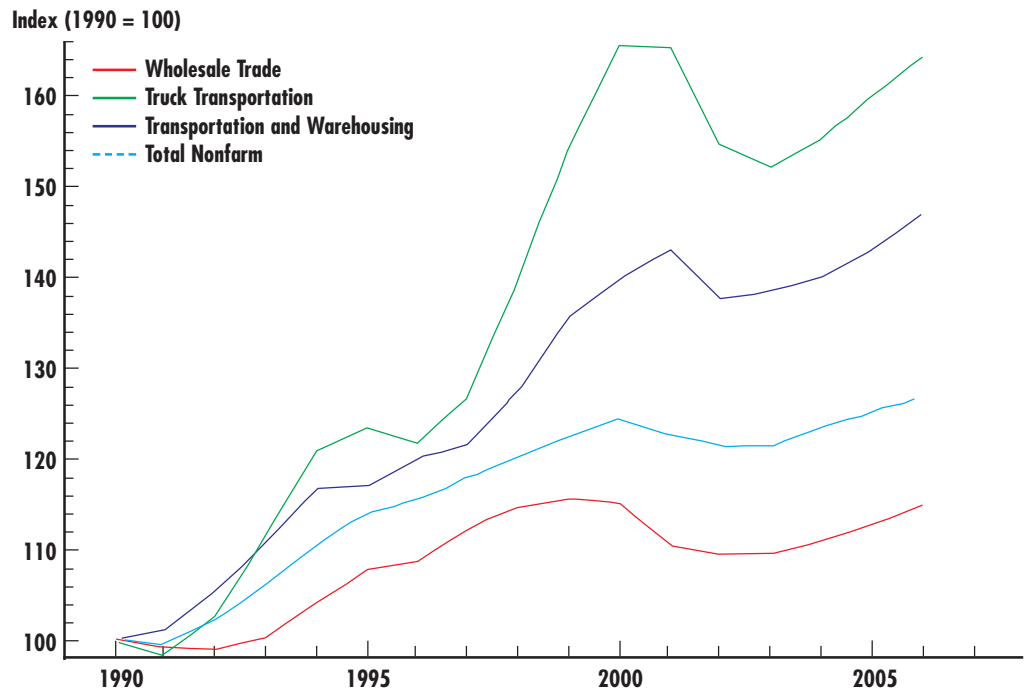
These companies are responsible for more than 60,000 jobs in Tennessee, with an annual payroll of more than \$3 billion.

Wholesale trade, transportation, and warehousing are an important source of jobs in Tennessee. In 2006, wholesale trade employed 132,500 Tennesseans, with an additional 143,800 employed in transportation and warehousing. Transportation represents a wide array of enterprises that move goods and people from one place to another including airlines, rail-

continued on page 20



Employment Growth: Transportation, Warehousing, and Wholesale Trade, Tennessee, 1990-2006



continued from page 19

roads, water transportation, local transit companies, trucking, freight, and associated support activities. Trucking alone employs 64,400 Tennesseans in jobs across the state.

A review of payroll and employment data reveals that wholesale trade, transportation, and warehousing are much more important sources of jobs and payroll in Tennessee than for most other states. Figures for 2005 show that wholesale trade accounts for 5.7 percent of wages in Tennessee, compared with 5.0 percent for the U.S. economy. Tennessee ranks seventh among the 50 states in share of total payroll generated by wholesale trade, behind North Dakota, New Jersey, Texas, Illinois, Georgia, and Oregon.

Transportation and warehousing generated 5.0 percent of employment and 5.9 percent of wages for Tennessee in 2005, ranking the state second only to Alaska in the importance of these industries as a source of jobs and wages. It is not surprising that transportation and warehousing are very important in several southeastern states, with Tennessee, Arkansas, Kentucky, and Georgia ranking in the top 10 nationally.

Adding wholesale trade to transportation and warehousing, we find that Tennessee ranks first in the nation in terms of the proportion of payroll and employment in these sectors. Tennessee's locational advantage is the primary reason for the sector's strong presence in the state,

along with well-maintained highways and a business-friendly regulatory environment.

Over the longer term, 1990 to 2006, employment in transportation and warehousing in Tennessee increased at a faster rate than total nonfarm employment, but wholesale trade rose somewhat more slowly, as shown in the figure. During this period, nonfarm employment increased by 27 percent, while transportation and warehousing employment gained a much larger 47 percent. In fact, trucking employment increased 64 percent.

The figure shows that employment in transportation and wholesale trade is sensitive to the business cycle, especially for trucking employment. After an impressive increase during the late 1990s, trucking employment dropped sharply during the 2001 recession, recovering nearly to pre-recession employment by 2006. Transportation and warehousing also shows cyclical sensitivity but much less than trucking. By 2006, employment in transportation and warehousing had surpassed its pre-recession peak in 2001. Wholesale trade, on the other hand, has not quite fully recovered from the recession, with employment still one percent lower than the pre-recession peak in 1999. ■

David A. Penn is the director of the Business and Economic Research Center and an associate professor in the Department of Economics and Finance at MTSU.

In many cases [logistics] functions are produced internally and employment records do not distinguish supply chain functions from other activities.