

Local And National Concentration Trends in Jobs and Sales: The Role of Structural Transformation

Based on BFI Working Paper 2023-54, [*“Local And National Concentration Trends In Jobs and Sales: The Role of Structural Transformation,”*](#) by David Autor, Massachusetts Institute of Technology; Christina Patterson, Chicago Booth; and John Van Reenen, London School of Economics

Driven by the sizable shift in sales and employment from the relatively concentrated manufacturing sector to the relatively unconcentrated service sector, local concentration in sales has increased in parallel to national sales concentration, while local concentration in employment has declined, despite rising at the national level.

While researchers have long noted the rise in national industrial concentration rates in the United States and other countries, we know less about whether these trends extend to the local level. Some work has revealed a decrease in local employment concentration, but data limitations have restricted analysis of local sales concentration. This paper advances knowledge of the evolution of local sales and employment concentration in the United States by drawing on the US Economic Census, which collects data on sales and employment at the establishment level across the entire

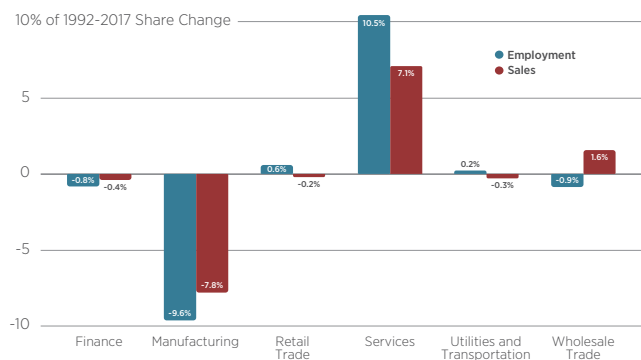
population of employer firms within broad sectors. The authors focus on the 1992–2017 period but also present results from 1982–2017 for the subset of four of six sectors where consistent data are available.

More than just an academic question, the evolution of local market concentration is key to understanding the implications for worker and consumer welfare and, by extension, for crafting effective policies. Does increasing national concentration mean weakening product market competition, or are such national measures even relevant for highly localized markets, especially for many service industries? And how does local concentration impact job opportunities, particularly for low-wage workers who mainly search for employment locally and may face imperfect competition for their services?

The authors explore these and similar questions by analyzing local vs. national trends in employment concentration, and the reasons for divergent local and national trends, to find the following:

- The authors confirm the substantial increase in national US industry concentration, measured by both sales and employment.
- More surprisingly, the trends in local concentration parallel those for national concentration in the case of sales but diverge from the national trend in the case of employment. Measured at county levels using detailed industry codes, the authors reveal

Figure 1 • Shifts in Economic Activity Across Sectors



Note: This figure documents the substantial shift in sectoral composition over the authors' sample period—a structural transformation—with a rapid decline in the share of economic activity in manufacturing and nearly as large an increase in services: manufacturing's share of employment fell by 9.6 percentage points and its share of sales fell by 7.8 percentage points; the employment share of Services rose by 10.5 percentage points while its share of sales rose by 7.1 percentage points. Activity shares in the other sectors were broadly stable over the quarter-century. Please see working paper for more details.

that sales concentration has risen roughly in parallel with national concentration, whereas employment concentration has fallen, opposite to the case for national employment concentration.

- These diverging industrial trends are explained by structural transformation: At a local and (to lesser extent) national level, manufacturing is more concentrated than services. Accordingly, the reallocation of economic activity away from manufacturing and toward (primarily) services has reduced aggregate concentration.
- Conversely, both sales and employment concentration are rising at the local level (within industry-by-county cells). In the case of sales, this rise in within-cell concentration more than fully offsets the reallocation of sales towards less concentrated sectors. Thus, local sales concentration rises.
- In the case of labor markets, the reallocation of employment toward less concentrated industry-county cells more than fully offsets the rise in within industry-county employment concentration. This leads to a substantial net decline in local employment concentration. Holding industry structure fixed at its 1992 level, local employment concentration would have risen by about 9% instead of falling by 5%.

The implications of these findings for both consumers and workers are nuanced. To the degree that rising national sales concentration reflects weakening product market competition, the evidence of rising sales concentration in local markets magnifies these concerns. Alternatively, research has shown that the rise in local sales concentration likely in part reflects the spread of national chains, which are typically more productive and offer greater product variety than their local rivals. For labor market competition, the picture is mixed: For young workers able to move among industries and across space, falling local employment concentration likely implies greater competition. For workers with limited ability to change jobs among industries (e.g., those with a substantial degree of industry skill-specificity), the rise of firm concentration may mean a fall in outside opportunities.

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