

Manufacturing

Productivity declined 1.5 percent in the fourth quarter in manufacturing, the second decline of the year. (In the first quarter, productivity dropped 2.4 percent). During the third quarter, productivity advanced 3.5 percent (annual rate). Hourly compensation increased 8.2 percent in the fourth quarter, marginally higher than the 8.1 percent rate of the third quarter. Unit labor cost, reflecting the continued strong advance of hourly compensation while productivity turned down, increased 9.8 percent in the fourth quarter, compared with a 4.4 percent increase during the third period. Real hourly compensation declined 4.5 percent, compared with a 4.3 percent drop during the third quarter.

Compared with the fourth quarter of 1978, productivity increased 0.6 percent, hourly compensation increased 9.1 percent, and unit labor cost went up 8.5 percent. Output rose 0.7 percent and hours increased 0.1 percent. Real hourly compensation declined 3.2 percent over the 4-quarter period.

Review of annual productivity and cost measures: 1979

Productivity declined in the private business sector by 0.9 percent in 1979, only the second time a drop occurred since 1947. (In 1974, it declined 3.0 percent.) Output and hours growth slowed in 1979, but the reduction in output gains--from 5.2 percent in 1978 to 2.3 percent in 1979--was more dramatic than the decline in hours--from 4.7 percent to 3.3 percent.

Hourly compensation gains increased over last year, posting a 9.3 percent rise in 1979. This was the largest annual gain since 1975. A year earlier, the increase was 8.5 percent. The combination of faster gains in hourly compensation and a decline in productivity resulted in a 10.4 percent increase in unit labor cost, the first double-digit increase in this measure since the 12.5 percent rise of 1974.

Real hourly compensation declined 1.7 percent as the rise in the CPI-U overbalanced the gain in hourly compensation for the first time since 1974, when real hourly compensation also declined 1.7 percent.

Employment continued to grow in 1979, posting a 3.7 percent rise, compared with a 5.0 percent increase in 1978.

In the nonfarm business sector, productivity declined 1.2 percent during 1979, compared with a 0.5 percent increase a year earlier. This was also the first decline since the 3.1 percent drop recorded in 1974. Output increased 2.3 percent and hours of all persons 3.6 percent. A year ago both gains were larger: 5.4 percent and 4.8 percent, respectively.

Hourly compensation increased 8.9 percent, the largest increase since the 9.9 percent gain of 1975. Unit labor cost increased 10.2 percent, compared to an 8.0 percent gain a year earlier. This was the largest gain in unit labor cost since the 12.7 percent jump in 1974. Real hourly compensation declined 2.1 percent, the first drop since 1974.

In manufacturing, productivity increased 1.8 percent for the year. A year before, it edged up 0.6 percent. The 1979 gain reflected a 4.0 percent increase in output and a 2.2 percent increase in hours of all persons. Although hourly compensation gains were similar to those of the more comprehensive business sectors, unit labor cost grew more slowly in manufacturing, owing to the productivity gains in this sector. Hourly compensation increased 9.1 percent, and unit labor cost went up 7.2 percent. After allowing for the increase in the CPI-U, real hourly compensation declined 1.9 percent, the first drop since 1974.