

News

United States
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Bureau of Labor Statistics

Washington, D.C. 20212

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For Release 10:00 AM EST
Friday, April 25, 1980**PRODUCTIVITY AND COSTS**Private Business, Nonfarm Business, and Manufacturing Sectors,
First Quarter 1980

(and data for Nonfinancial Corporations, Fourth Quarter 1979)

Productivity in the private business sector increased 0.6 percent (at a seasonally adjusted annual rate) in the first quarter of 1980, according to preliminary measures announced today by the Bureau of Labor Statistics of the U.S. Department of Labor. The increase reflected a 1.1 percent gain in output and a 0.5 percent increase in hours of all persons engaged in the private business sector. In the fourth quarter of 1979, productivity decreased 0.3 percent.

In the nonfarm business sector, productivity declined 0.2 percent as output rose 1.1 percent and hours of all persons increased 1.3 percent. In the fourth quarter, productivity increased 0.7 percent in this sector.

NOTE: With this press release, BLS incorporates three improvements in the productivity and cost series: (1) Average weekly hours for nonproduction workers have been reestimated using additional information. The new data have been introduced for the business, manufacturing, and nonfinancial corporate sector productivity and cost series for the full period covered in each case. Owing to the number of workers affected and to the size of the difference between the prior and current estimates, the effect is not great. (2) New seasonal factors for the Consumer Price Index for All Urban Consumers have been prepared by the Office of Prices and Living Conditions and are incorporated in this release. Only the quarterly real hourly compensation measures are affected, beginning in 1967. (3) Quarterly productivity and cost measures for the manufacturing sectors have been adjusted to conform with revised estimates of output for 1979. Copies of all revised historical series are available on request from the Office of Productivity and Technology, Bureau of Labor Statistics, Washington, D.C. 20212 (telephone (202) 523-9261).

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Table B. Productivity and costs: percent change at annual rate
(Seasonally adjusted)

| Sector | Productivity ^{1/} | Hourly compensation | Unit labor cost | Real hourly compensation | Output | Hours |
|---|----------------------------|---------------------|-----------------|--------------------------|--------|-------|
| PRELIMINARY | | | | | | |
| Fourth Quarter 1979 to First Quarter 1980 | | | | | | |
| Private business | 0.6 | 10.7 | 10.0 | -5.3 | 1.1 | 0.5 |
| Nonfarm business | -0.2 | 9.7 | 9.9 | -6.2 | 1.1 | 1.3 |
| Manufacturing | -1.9 | 9.8 | 11.9 | -6.1 | -1.1 | 0.8 |
| Durable | -3.5 | 11.6 | 15.6 | -4.6 | -3.0 | 0.5 |
| Nondurable | 0.5 | 6.6 | 6.0 | -8.9 | 1.8 | 1.3 |
| PRELIMINARY | | | | | | |
| First Quarter 1979 to First Quarter 1980 | | | | | | |
| Private business | -0.8 | 9.1 | 10.0 | -4.5 | 0.5 | 1.3 |
| Nonfarm business | -1.2 | 8.9 | 10.3 | -4.6 | 0.3 | 1.6 |
| Manufacturing | 0.6 | 9.0 | 8.4 | -4.5 | -0.8 | -1.4 |
| Durable | -0.6 | 9.2 | 9.9 | -4.3 | -2.5 | -1.9 |
| Nondurable | 2.4 | 8.8 | 6.3 | -4.7 | 1.7 | -0.7 |

^{1/} Although the productivity measures relate output to the hours of all persons engaged in each sector, they do not measure the specific contributions of labor, capital, or any other single factor of production. Rather, they reflect the joint effects of many influences, including new technology, capital investment, the level of output, capacity utilization, energy use, and managerial skills, as well as the skills and efforts of the work force.

In manufacturing, productivity declined at a 1.9 percent annual rate; output fell 1.1 percent as hours edged up 0.8 percent. This was the second consecutive quarter of decline in manufacturing productivity; in the fourth quarter of 1979, it declined 1.3 percent.

First quarter measures are summarized in table A; details are given in tables 1-6. Revised annual measures for nonfinancial corporations and measures for the fourth quarter of 1979 were also released today (See table B.)

Private Business Sector

Productivity increased 0.6 percent in the private business sector, compared with a 0.3 percent decline in the fourth quarter 1979. This was the first time productivity has increased since the fourth quarter of 1978. Output growth slowed--from a 2.8 percent increase in the fourth quarter of 1979 to a 1.1 percent gain in the first quarter of 1980 (annual rates)--and hours of all persons increased only 0.5 percent. In the fourth quarter of 1979, hours increased 3.2 percent. However, the reduction in the rate of growth of hours reflected a 2.1 percent decline in average weekly hours; employment growth in the sector continued to accelerate, showing a 2.7 percent gain in the first quarter 1980, compared with a 2.5 percent increase one quarter earlier.

Hourly compensation--which includes wages and salaries, supplements, and employer payments for social security and other employee benefit plans--increased 10.7 percent in the first quarter 1980, the first double-digit rise in a year. First-quarter increases in social security payments and an increase in the minimum wage were partly responsible for the increase. In the fourth quarter of 1979, hourly compensation increased 7.4 percent. Comparing the first quarter compensation--which includes the impact of the mandated increases--with the fourth quarter 1979 level shows a larger increase than

when the first quarters of 1979 and 1980 are compared--since a tax increase occurred each year. Hourly compensation increased 9.1 percent over the 4-quarter period, compared with the 10.7-percent annual rate from the fourth quarter 1979 to the first quarter 1980.

Real hourly compensation--which adjusts for increases in the Consumer Price Index for All Urban Consumers (CPI-U)--decreased 5.3 percent in the first quarter, compared with a 5.4 percent decrease in the fourth quarter of 1979. This was the eighth consecutive quarter of no growth of real hourly compensation in this sector. These declines erased the gains previously attained so that, in the first quarter of 1980, real hourly compensation was the same as it was in the fourth quarter of 1975.

Unit labor cost--which shows the effect of changes in hourly compensation and productivity--increased 10.0 percent in the first quarter 1980, compared with a 7.8 percent increase during the fourth quarter of 1979. Unit nonlabor payments--which consist of indirect business taxes, depreciation, net interest and profits--increased 9.4 percent in the first quarter.

The implicit price deflator--which measures price increases in a specific sector and reflects changes in unit labor cost and unit nonlabor cost combined--increased 9.8 percent in the first quarter 1980, compared with a 7.2 percent increase one quarter earlier.

Compared with the first quarter of 1979, productivity declined 0.8 percent as output rose 0.5 percent and hours increased 1.3 percent. Hourly compensation increased 9.1 percent over the 4-quarter span, while real hourly compensation declined 4.5 percent. Unit labor cost rose 10.0 percent, and the implicit price deflator went up 8.9 percent.

Nonfarm Business Sector

The productivity increase in the private business sector was partly the result of the large productivity gain which occurred in the farm sector in the first quarter 1980. In the nonfarm business sector, productivity declined 0.2 percent, reflecting a 1.1 percent advance in output coupled with a 1.3 percent increase in hours of all persons. During the fourth quarter of 1979, productivity increased 0.7 percent.

Hourly compensation gained 9.7 percent, and real hourly compensation dropped at a 6.2 percent annual rate. This was the biggest quarterly decline recorded in this series, which begins in 1947. Unit labor cost advanced 9.9 percent, and the implicit price deflator rose 11.0 percent, the largest rise since the second quarter of 1979. Employment advanced 2.9 percent, compared with gains of 2.0 percent which occurred in each of the preceding 3 quarters.

Compared with the first quarter of 1979, productivity declined 1.2 percent as output rose 0.3 percent and hours increased 1.6 percent. Hourly compensation increased 8.9 percent over the 4 quarters, while real hourly compensation declined 4.6 percent, owing to the bigger advance of the CPI-U. Unit labor cost rose 10.3 percent, and the implicit price deflator increased 9.6 percent.

Manufacturing

Productivity declined 1.9 percent in manufacturing in the first quarter, compared with a 1.3 percent drop in the fourth quarter of 1979. The first quarter decline reflected a 1.1 percent decline in output and a 0.8 percent increase in hours of all persons. Hourly compensation increased 9.8

percent--but declined 6.1 percent after allowing for the increase in the CPI-U. The decline in real hourly compensation was the largest since the first quarter of 1951. Unit labor cost went up 11.9 percent, the largest such increase in a year. In the fourth quarter of 1979, unit labor cost increased 10.0 percent.

The decline in manufacturing productivity reflected divergent movements in the durable and nondurable subsectors. In durables, productivity declined for the third consecutive quarter, dropping at a 3.5 percent annual rate in the first quarter. Output has declined for 4 quarters, but hours increased for the first time since the first quarter of 1979.

In nondurables, productivity edged higher, showing a 0.5 percent gain over the fourth quarter of 1979. Output grew 1.8 percent, and hours increased 1.3 percent. The decline in real hourly compensation in the first quarter of 1980 was larger in nondurables than in any other sector reported. The 8.9 percent decline was the eighth in a row, and real hourly compensation is lower in the first quarter of 1980 than at any time since the third quarter of 1974.

Compared with the first quarter of 1979, productivity increased 0.6 percent in all of manufacturing, as output fell 0.8 percent and hours declined 1.4 percent. Hourly compensation increased 9.0 percent, and unit labor cost rose 8.4 percent.

Fourth quarter measures for Nonfinancial Corporations

Fourth quarter 1979 productivity and cost measures were also announced today for the nonfinancial corporate sector, together with revised annual movements. (See table B.) Output per all-employee hour declined 0.5 percent in the fourth quarter and 0.4 percent for 1979 as a whole. Output increased

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1.9 percent from the third to the fourth quarter, while hours of all employees increased 2.4 percent. Hourly compensation gained 8.3 percent--but dropped 4.6 percent when the rise in the CPI-U is taken into account. Unit labor cost went up 8.9 percent, unit nonlabor cost rose 10.6 percent, and unit profits decreased 10.4 percent. (See table 3.)

Table B. Percent change in productivity and costs at annual rates
Seasonally adjusted
Nonfinancial Corporations

| ITEM | 3rd quarter 1979 to 4th quarter 1979 | 4th quarter 1978 to 4th quarter 1979 | 1979 Annual |
|------------------------------|--|--|----------------|
| | PRELIMINARY | PRELIMINARY | REVISED |
| Output per all-employee hour | -0.5 | -1.4 | -0.4 |
| Hourly compensation | 8.3 | 9.0 | 8.9 |
| Unit labor cost | 8.9 | 10.6 | 9.3 |
| Real hourly compensation | -4.6 | -3.3 | -2.1 |
| Output | 1.9 | 0.6 | 3.1 |
| Hours | 2.4 | 2.0 | 3.5 |
| Unit profits | -10.4 | -10.6 | 0.4 |

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Productivity Indexes for Selected Industries, 1979 Edition



U.S. Department of Labor
Ray Marshall, Secretary
Bureau of Labor Statistics
Janet L. Norwood, Commissioner
December 1979

Bulletin 2054

"Productivity Indexes for Selected Industries, 1979 Edition," BLS Bulletin 2054, has been prepared by the Division of Industry Productivity Studies and is now available. This 190-page bulletin contains annual indexes of output per employee hour, output, and employee hours for about 88 industries in the nonfarm sector. The indexes are available for most industries through 1978. BLS Bulletin 2054 can be ordered from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402 (Stock No. 029-001-02429-1), GPO Bookstores, or BLS Regional Offices listed below. The price is \$5.50. Make checks or money orders payable to the Superintendent of Documents.

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For Release 10:00 AM EDT
Wednesday, May 28, 1980**PRODUCTIVITY AND COSTS****Nonfinancial Corporate Sector
First Quarter 1980**

Productivity in nonfinancial corporations declined 0.7 percent in the first quarter of 1980 at a seasonally adjusted annual rate, the Bureau of Labor Statistics of the U.S. Department of Labor reported today. The decline reflected a 0.6 percent increase in output and a 1.3 percent increase in hours of all employees. In the fourth quarter of 1979, productivity declined 0.5 percent in this sector, which includes all corporations doing business in the United States with the exception of banks, stock and commodity brokers, and finance and insurance companies.

This quarter was the fifth consecutive one to show a decline in productivity in these corporations. The only longer period of declining productivity in this series (which starts in 1958) was a 7-quarter decline in 1973-1974. During that decline however, after 5 consecutive quarters the cumulative falloff was 3.6 percent, more than twice the present cumulative falloff of only 1.6 percent.

Revised first quarter measures were also reported today for the private business, nonfarm business, and manufacturing sectors. The latest measures show productivity declined 0.7 percent in the private business sector, 1.4 percent in the nonfarm business sector, and 2.3 percent in manufacturing. Preliminary measures released April 25 showed changes of 0.6 percent, -0.2 percent, and -1.9 percent, respectively.

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Table A. Productivity and costs: percent change at annual rate
(Seasonally adjusted)

| Sector | Productivity ^{1/} | Hourly compensation | Unit labor costs | Real hourly compensation | Output | Hours |
|---|----------------------------|---------------------|------------------|--------------------------|--------|-------|
| PRELIMINARY | | | | | | |
| Fourth Quarter 1979 to First Quarter 1980 | | | | | | |
| Nonfinancial corporations | -0.7 | 10.4 | 11.1 | -5.6 | 0.6 | 1.3 |
| REVISED | | | | | | |
| Private business | -0.7 | 11.2 | 12.0 | -4.9 | 0.0 | 0.8 |
| Nonfarm business | -1.4 | 10.2 | 11.8 | -5.8 | 0.2 | 1.6 |
| Manufacturing | -2.3 | 9.8 | 12.4 | -6.1 | -0.9 | 1.5 |
| Durable | -4.2 | 11.6 | 16.5 | -4.5 | -2.7 | 1.5 |
| Nondurable | 0.6 | 6.5 | 5.8 | -9.0 | 1.9 | 1.3 |
| PRELIMINARY | | | | | | |
| First Quarter 1979 to First Quarter 1980 | | | | | | |
| Nonfinancial corporations | -1.1 | 8.8 | 10.0 | -4.7 | 0.1 | 1.2 |
| REVISED | | | | | | |
| Private business | -1.2 | 9.2 | 10.5 | -4.4 | 0.2 | 1.4 |
| Nonfarm business | -1.5 | 9.0 | 10.7 | -4.5 | 0.1 | 1.6 |
| Manufacturing | 0.1 | 9.0 | 8.9 | -4.5 | -1.1 | -1.3 |
| Durable | -1.3 | 9.2 | 10.6 | -4.3 | -2.9 | -1.6 |
| Nondurable | 2.2 | 8.8 | 6.5 | -4.7 | 1.5 | -0.7 |

^{1/} Although the productivity measures relate output to the hours of all persons engaged in each sector, they do not measure the specific contributions of labor, capital, or any other single factor of production. Rather, they reflect the joint effects of many influences, including new technology, capital investment, the level of output, capacity utilization, energy use, and managerial skills, as well as the skills and efforts of the work force.

A summary of first-quarter measures appears in table A; details are given in tables 1-6.

Compensation and costs

Hourly compensation, which includes wages, salaries, employer contributions to employee benefit plans, and employment taxes, increased 10.4 percent in the first quarter of 1980, compared with an 8.3 percent increase in the fourth quarter of 1979. This was the largest quarterly gain since the first quarter of 1979, when hourly compensation rose 11.0 percent (annual rates). In both cases, the increases partly reflected changes in mandated payments (social security and minimum wages) which take effect at the beginning of the year.

Real hourly compensation--which takes account of changes in the Consumer Price Index for All Urban Consumers (CPI-U)--dropped 5.6 percent in the first quarter of 1980, compared with a 4.6 percent drop in the fourth quarter of 1979. This was the eighth consecutive quarter of declining real hourly compensation in this sector (which includes about 55 million workers) and the longest period of decline in this series, which begins with 1958. Real hourly compensation now stands at the same level as in the third quarter of 1972.

Unit labor costs--compensation per unit of output--is influenced by changes in productivity and hourly compensation. In the first quarter of 1980, unit labor costs rose 11.1 percent, compared with an 8.9 percent increase in the fourth quarter of 1979.

Unit profits declined 16.3 percent (annual rate) in the first quarter, compared with a 10.4 percent decline in the fourth quarter of 1979. This marked the fifth consecutive quarter of declining unit profits, and the cumulative decline over the period was 14.6 percent.

The implicit price deflator, which reflects changes in unit labor costs, unit nonlabor payments, and unit profits, increased 9.8 percent in the first quarter, compared with a 7.3-percent gain in the fourth quarter of 1979. The implicit price deflator--and its components--are shown in table B from 1975 forward.

Compared with the first quarter of 1979, productivity declined 1.1 percent, as output rose 0.1 percent while hours increased 1.2 percent; hourly compensation increased 8.8 percent, and unit labor costs rose 10.0 percent. Real hourly compensation dropped 4.7 percent and unit profits are off 9.0 percent. The implicit price deflator increased 9.0 percent.

Revised measures

Revised first-quarter productivity and cost measures for the the private business, nonfarm business, and manufacturing sectors were also reported today. The revised series incorporate the most recent measures of output and hours for these sectors, and show the effects of downward revisions in output and upward revisions in the rate of growth of hours. In the private business sector for example, the previously reported increase of 0.6 percent in the first quarter has been revised to a decline of 0.7 percent. In manufacturing, new output estimates from the Bureau of Economic Analysis of the U.S. Department of Commerce for 1979 are introduced, resulting in the revisions noted in tables 4-6. Increases in hourly compensation and unit labor costs were both revised upward. Table C compares the preliminary and revised measures.

Table B.
Indexes of Prices, Costs and Profits
Nonfinancial Corporations
(1967=100)

| Measure | 1975 | 1976 | 1977 | 1978 | 1979 | 1978 | | 1979 | | | | 1980 |
|-------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | | | | | | III | IV | I | II | III | IV | I |
| Implicit price deflator | 154.9 | 163.0 | 173.0 | 183.5 | 198.1 | 184.9 | 188.2 | 191.6 | 196.3 | 200.4 | 204.0 | 208.8 |
| Total unit cost | 165.9 | 171.9 | 181.8 | 193.3 | 210.4 | 194.0 | 196.8 | 202.3 | 208.0 | 213.2 | 218.0 | 224.6 |
| Unit labor cost | 158.6 | 166.4 | 177.7 | 190.6 | 208.4 | 191.5 | 194.8 | 201.0 | 206.4 | 210.8 | 215.3 | 221.1 |
| Unit nonlabor cost | 188.5 | 188.7 | 194.3 | 201.8 | 216.6 | 201.6 | 203.1 | 206.5 | 213.2 | 220.5 | 226.1 | 235.4 |
| Unit profits | 91.8 | 112.1 | 122.7 | 127.2 | 127.8 | 132.7 | 138.7 | 130.3 | 129.2 | 127.5 | 124.0 | 118.6 |

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Table C.
Preliminary and Revised First Quarter Measures of Productivity and Costs
Quarterly Change at Annual Rate
(Seasonally Adjusted)

| Measure | Private Business Sector | | Nonfarm Business Sector | | Manufacturing | |
|-----------------------------------|-------------------------|------|-------------------------|------|---------------|------|
| | Prel. | Rev. | Prel. | Rev. | Prel. | Rev. |
| Output per hour of all persons | 0.6 | -0.7 | -0.2 | -1.4 | -1.9 | -2.3 |
| Compensation per hour | 10.7 | 11.2 | 9.7 | 10.2 | 9.8 | 9.8 |
| Unit labor costs | 10.0 | 12.0 | 9.9 | 11.8 | 11.9 | 12.4 |
| Real compensation per hour | -5.3 | -4.9 | -6.2 | -5.8 | -6.1 | -6.1 |
| Output | 1.1 | 0.0 | 1.1 | 0.2 | -1.1 | -0.9 |
| Hours | 0.5 | 0.8 | 1.3 | 1.6 | 0.8 | 1.5 |

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For Release 10:00 AM EDT
Monday, July 28, 1980

PRODUCTIVITY AND COSTS

Private Business, Nonfarm Business, and Manufacturing Sectors,
Second Quarter 1980

Productivity in the private business sector declined 3.1 percent in the second quarter of 1980 at a seasonally adjusted annual rate, the Bureau of Labor Statistics of the U.S. Department of Labor reported today. This was the sixth consecutive quarter of declining output per hour of all persons in this sector. The second-quarter 1980 drop reflected a 12.5 percent decline in output coupled with a 9.7 percent fall in hours. The decline in output was the largest quarterly drop recorded in this series, which begins with data for 1947. The decline in hours was the largest since the first quarter of 1975, when a 12.3 percent decline occurred. In the first quarter, productivity declined 0.3 percent, as output and hours rose 0.2 percent and 0.5 percent, respectively.

The productivity and cost measures for the private business, nonfarm business, manufacturing, and nonfinancial corporate sectors contained in this press release are based on the latest measures of employment compiled by the Bureau of Labor Statistics and are consistent with the March 1979 benchmark released July 3, 1980. Small changes in quarterly levels of hours and related measures have resulted from the incorporation of this new information and are reflected in tables 1-6 of this press release. Data prior to 1977 were not affected.

In the nonfarm business sector, productivity declined 4.1 percent in the second quarter, as output dropped 12.8 percent and hours of all persons decreased 9.1 percent (annual rates). This was the second consecutive quarterly decline in productivity and the largest since the 4.7-percent decline in the second quarter of 1974. This was the largest output decline in the series, which begins in 1947, and the decline in hours was the largest since the 12.6 percent drop in the first quarter of 1975. During the first 3 months of 1980, productivity decreased 1.1 percent in the nonfarm business sector, as output increased 0.2 percent and hours increased 1.3 percent.

In manufacturing, productivity declined 3.2 percent as output declined 20.8 percent and hours fell 18.2 percent (annual rates). This was the third consecutive quarterly decline in manufacturing and the largest since the 3.8 percent decline in the first quarter of 1979. The output and hours declines were the largest since the first quarter of 1975, when there were drops of 27.3 percent and 24.3 percent, respectively. One quarter earlier, productivity declined 2.2 percent, as output edged down 0.9 percent and hours increased 1.3 percent.

A summary of second-quarter changes, as well as revised first-quarter productivity and cost measures for nonfinancial corporations also reported today, appears in table A; details appear in tables 1-6.

Table A. Productivity and costs: percent change at annual rate
(Seasonally adjusted)

| Sector | Productivity ^{1/} | Hourly compensation | Unit labor costs | Real hourly compensation | Output | Hours |
|--|----------------------------|---------------------|------------------|--------------------------|--------|-------|
| <u>PRELIMINARY</u> First quarter 1980 to second quarter 1980 | | | | | | |
| Private business | -3.1 | 12.0 | 15.5 | -1.5 | -12.5 | -9.7 |
| Nonfarm business | -4.1 | 10.8 | 15.6 | -2.6 | -12.8 | -9.1 |
| Manufacturing | -3.2 | 14.7 | 18.5 | 0.9 | -20.8 | -18.2 |
| Durable | -1.4 | 15.7 | 17.3 | 1.7 | -24.4 | -23.3 |
| Nondurable | -6.4 | 15.2 | 23.1 | 1.3 | -15.3 | -9.5 |
| <u>REVISÉD</u> Fourth quarter 1979 to first quarter 1980 | | | | | | |
| Nonfinancial corporations | -0.1 | 11.0 | 11.1 | -5.1 | 0.8 | 0.9 |
| <u>PRELIMINARY</u> Second quarter 1979 to second quarter 1980 | | | | | | |
| Private business | -1.3 | 10.0 | 11.4 | -3.9 | -2.3 | -1.0 |
| Nonfarm business | -1.5 | 9.8 | 11.5 | -4.0 | -2.4 | -0.9 |
| Manufacturing | -1.1 | 10.4 | 11.6 | -3.5 | -6.3 | -5.2 |
| Durable | -2.0 | 10.9 | 13.2 | -3.0 | -8.6 | -6.8 |
| Nondurable | 0.1 | 10.0 | 9.8 | -3.9 | -2.7 | -2.8 |
| <u>REVISÉD</u> First quarter 1979 to first quarter 1980 | | | | | | |
| Nonfinancial corporations | -0.9 | 9.0 | 10.0 | -4.5 | 0.2 | 1.0 |

^{1/} Although the productivity measures relate output to the hours of all persons engaged in each sector, they do not measure the specific contributions of labor, capital, or any other single factor of production. Rather, they reflect the joint effects of many influences, including new technology, capital investment, the level of output, capacity utilization, energy use, and managerial skills, as well as the skills and efforts of the work force.

Private business sector

Productivity declined 3.1 percent in the second quarter, reflecting large declines in both output and hours. The 12.5 percent falloff in output followed a 0.2 percent gain during the first quarter. Hours of all persons also declined steeply; the 9.7-percent second quarter decline followed a 0.5 percent increase during the first quarter.

The decline in hours reflected a 5.6-percent drop in sector employment, the first fall since the second quarter of 1975 and the largest decline since the 9.8 percent drop during the first quarter of 1975. Average weekly hours declined 4.3 percent during the second quarter of 1980.

Hourly compensation--which includes wages and salaries, supplements, and employer payments for social security and other employee-benefit plans--increased 12.0 percent in the second quarter, compared with an 11.7 percent increase during the first quarter of 1980. This was the largest increase in hourly compensation since the third quarter of 1974, when a 12.7 percent increase occurred.

Real hourly compensation--which adjusts for increases in the Consumer Price Index for All Urban Consumers (CPI-U)--decreased 1.5 percent in the second quarter of 1980, marking the ninth consecutive quarter of decline. Real hourly compensation in the second quarter of 1980 stood lower than at any time since the third quarter of 1975.

Unit labor costs--which show the effect of changes in hourly compensation and productivity--increased 15.5 percent in the second quarter of 1980, the largest increase in these costs since the 15.9 percent increase in the third quarter of 1974.

The implicit price deflator--which measures price change in a sector and reflects changes in unit labor costs and unit nonlabor costs combined--increased 11.5 percent in the second quarter of 1980, compared with a 9.4 percent increase one quarter earlier. This was the largest rise in prices in the private business sector since the 11.8 percent increase of the first quarter of 1975.

Compared with the second quarter of 1979, productivity declined 1.3 percent as output dropped 2.3 percent and hours declined 1.0 percent. Hourly compensation increased 10.0 percent, and real hourly compensation fell 3.9 percent. Unit labor costs rose 11.4 percent, and the implicit price deflator went up 9.1 percent.

Nonfarm business sector

Productivity declined 4.1 percent in the nonfarm sector, reflecting drops of 12.8 percent in output and 9.1 percent in hours. During the first quarter, productivity declined 1.1 percent; hours increased 1.3 percent and output edged up 0.2 percent.

Hourly compensation increased 10.8 percent in the second quarter of 1980, but, after allowing for the increase in the CPI-U, real hourly compensation declined 2.6 percent. Unit labor costs increased 15.6 percent, the largest increase since the 16.9 percent rise in the second quarter of 1974. The implicit price deflator increased 13.0 percent, the largest increase since the 13.2 percent rise in the first quarter of 1975.

Employment declined at a 5.3 percent annual rate in the second quarter of 1980 in the nonfarm business sector, and average weekly hours declined 3.9 percent. This was the largest decline in employment since the first quarter of 1975, when a 9.9 percent drop occurred in this sector.

Compared with the second quarter of 1979, productivity declined 1.5 percent, output dropped 2.4 percent, and hours declined 0.9 percent. Hourly compensation rose 9.8 percent while real hourly compensation declined 4.0 percent. Unit labor costs increased 11.5 percent, and the implicit price deflator went up 10.0 percent.

Manufacturing

Productivity declined 3.2 percent in the second quarter of 1980 in manufacturing, reflecting a 20.8 percent decline in output and an 18.2 percent drop in hours (annual rates). Productivity has declined for 3 consecutive quarters in this sector, and output has dropped for 5 quarters. The declines in both output and hours were the largest since the first quarter of 1975.

Hourly compensation increased 14.7 percent in the second quarter, and unit labor costs rose 18.5 percent. Real hourly compensation increased 0.9 percent in manufacturing.

Employment declined 13.4 percent, and average weekly hours dropped 5.5 percent (annual rates). This was the largest decline in manufacturing employment since the 20.3-percent drop in the first quarter of 1975.

Compared with the same quarter a year ago, productivity is down 1.1 percent; output declined 6.3 percent and hours dropped 5.2 percent. Hourly compensation increased 10.4 percent, and unit labor costs have gone up 11.6 percent.

Productivity declined in both durables and nondurables in the second quarter; durables productivity dropped less in the second quarter than in the first owing partly to the falloff in hours in the second period. In the second quarter, hours declined at a 23.3 percent annual rate, while in the first quarter a 1.3 percent increase occurred. Output has declined for 5 quarters in durables.

In nondurables, productivity was off 6.4 percent in the second quarter of 1980, compared with a 0.7 percent increase in the first quarter. Output fell 15.3 percent, while hours declined 9.5 percent. In the first quarter, output and hours increased 2.0 percent and 1.2 percent, respectively.

Revised first-quarter measures for Nonfinancial Corporations

Revised first-quarter productivity and cost measures were also reported today for the nonfinancial corporate sector. Productivity declined 0.1 percent in the first quarter, as output increased 0.8 percent and employee-hours increased 0.9 percent. Hourly compensation increased 11.0 percent, and unit labor costs increased 11.1 percent. A comparison of these revised measures with the preliminary series published May 28 is presented in table B.

Table B.
Nonfinancial Corporations: Preliminary and Revised First Quarter
Measures of Productivity and Costs, Quarterly Change at Annual Rate

Seasonally Adjusted

| Measure | Preliminary | Revised |
|--------------------------|-------------|---------|
| Productivity | -0.7 | -0.1 |
| Output | 0.6 | 0.8 |
| Hours | 1.3 | 0.9 |
| Hourly compensation | 10.4 | 11.0 |
| Real hourly compensation | -5.6 | -5.1 |
| Unit labor costs | 11.1 | 11.1 |
| Unit profits | -16.3 | -10.9 |
| Implicit price deflator | 9.8 | 9.9 |



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PRODUCTIVITY AND COSTS

**NONFINANCIAL CORPORATE SECTOR
SECOND QUARTER 1980**

Productivity in nonfinancial corporations declined 1.1 percent in the second quarter of 1980 at a seasonally adjusted annual rate, the Bureau of Labor Statistics of the U.S. Department of Labor reported today. The decline reflected a 10.7 percent drop in output and a 9.8 percent drop in employee-hours. The decline in output was the largest ever recorded in this series (which starts in 1958) and the decline in hours was the largest since the 13.7 percent drop in the first quarter of 1975. The decline in productivity in this sector was the sixth consecutive quarterly drop, and the largest since the second quarter of 1979. Productivity declined for 7 consecutive quarters in 1973-74, the only longer period of decline in this series. During the first quarter of 1980, productivity declined 0.1 percent in this sector, which includes all corporations doing business in the United States, with the exception of banks, stock and commodity brokers, and finance and insurance companies.

Although the productivity measures relate output to the hours of all persons engaged in each sector, they do not measure the specific contributions of labor, capital, or any other single factor of production. Rather, they reflect the joint effects of many influences, including new technology, capital investment, the level of output, capacity utilization, energy use, and managerial skills, as well as the skills and efforts of the work force.

Table A. Productivity and costs: Percent change at annual rate (Seasonally adjusted)

| Sector | Productivity | Hourly compensation | Unit labor cost | Real hourly compensation | Output | Hours |
|---------------------------|--|---------------------|-----------------|--------------------------|--------|-------|
| | First quarter 1980 to second quarter 1980 | | | | | |
| | <u>PRELIMINARY</u> | | | | | |
| Nonfinancial corporations | -1.1 | 11.1 | 12.3 | -2.3 | -10.7 | -9.8 |
| | <u>REVISED</u> | | | | | |
| Private business | -1.9 | 11.9 | 14.1 | -1.6 | -11.3 | -9.5 |
| Nonfarm business | -2.9 | 10.7 | 14.1 | -2.6 | -11.5 | -8.8 |
| Manufacturing | -4.5 | 15.2 | 20.7 | 1.3 | -21.7 | -18.0 |
| Durable | -2.8 | 16.2 | 19.6 | 2.2 | -25.2 | -23.0 |
| Nondurable | -7.7 | 15.5 | 25.2 | 1.6 | -16.6 | -9.7 |
| | Second quarter 1979 to second quarter 1980 | | | | | |
| | <u>PRELIMINARY</u> | | | | | |
| Nonfinancial corporations | -0.5 | 9.7 | 10.3 | -4.1 | -2.0 | -1.5 |
| | <u>REVISED</u> | | | | | |
| Private business | -1.0 | 9.9 | 11.0 | -3.8 | -2.0 | -1.0 |
| Nonfarm business | -1.2 | 9.8 | 11.2 | -4.0 | -2.1 | -0.9 |
| Manufacturing | -1.4 | 10.5 | 12.1 | -3.4 | -6.6 | -5.2 |
| Durable | -2.4 | 11.1 | 13.7 | -2.9 | -8.9 | -6.7 |
| Nondurable | -0.2 | 10.1 | 10.3 | -3.8 | -3.1 | -2.9 |

Revised second-quarter measures for the private business, nonfarm business, and manufacturing sectors were also reported today. The productivity declines in the private business and nonfarm business sectors were smaller in the revised series than reported on July 28, based on preliminary measures. In manufacturing, however, productivity declined more in the revised series in both the durable and nondurable subsectors. A summary of second-quarter measures appears in table A; details are given in tables 1-6.

Compensation and costs

Hourly compensation, which includes wages and salaries, supplements, employer contributions to employee-benefit plans, and employment taxes, increased at an 11.1 percent annual rate in nonfinancial corporations in the second quarter of 1980 (seasonally adjusted). This was the largest increase in these expenditures since the first quarter of 1978, when an 11.2 percent increase occurred. Real hourly compensation--which is adjusted for changes in the Consumer Price Index for All Urban Consumers (CPI-U)--declined 2.3 percent in the second quarter, the ninth consecutive quarterly decline in the series. This was the longest period of dropping real hourly compensation in the series (which begins with 1958), and real hourly compensation now stands lower than at any time since the first quarter of 1972.

Unit labor cost, which is influenced by changes in hourly compensation and productivity, increased 12.3 percent in the second quarter, compared with an 11.1 percent increase during the first quarter. This was the largest increase in this series since the first quarter of 1979, when a 13.4 percent increase occurred.

Unit profits declined 28.2 percent in the second quarter, compared with a 10.9 percent decrease during the first quarter. This was the largest quarterly drop in unit profits since the first quarter of 1978, when a 40.8 percent decline occurred. Unit profits have now declined for 6 consecutive quarters, and unit profits are at the lowest level since the first quarter of 1978.

The implicit price deflator, which shows the effects of changes in unit labor cost, unit nonlabor cost, and unit profits, increased 12.3 percent in the second quarter, compared with a 9.9 percent gain in the first quarter. This was the largest increase in the deflator since the fourth quarter of 1974, when a 13.8 percent increase occurred.

Compared with the second quarter of last year, productivity declined 0.5 percent, as output declined 2.0 percent and employee-hours dropped 1.5 percent. Hourly compensation increased 9.7 percent, and unit labor cost rose 10.3 percent. Real hourly compensation declined 4.1 percent, and unit profits declined 14.2 percent.

Revised measures

Revised second-quarter productivity and cost measures for the private business, nonfarm business, and manufacturing sectors were also released today for the second quarter of 1980. Incorporating the most recent measures of output and hours and the revised monthly index of industrial production from the Board of Governors of the Federal Reserve, the revised measures show productivity declined 1.9 percent in the private business sector, 2.9 percent in the nonfarm business sector, and 4.5 percent in manufacturing. Previously, these declines had been reported as 3.1 percent, 4.1 percent and 3.2 percent, respectively. As can be seen in table B, the revisions stem mainly from changes in the estimates of second-quarter output changes. Table B compares preliminary and revised series.

Table B
 Preliminary and revised second quarter measures of productivity and costs
 quarterly change at annual rate
 (Seasonally adjusted)

| Measure | Private business sector | | Nonfarm business sector | | Manufacturing | |
|-----------------------------------|-------------------------|---------|-------------------------|---------|---------------|---------|
| | Preliminary | Revised | Preliminary | Revised | Preliminary | Revised |
| Output per hour of all persons | -3.1 | -1.9 | -4.1 | -2.9 | -3.2 | -4.5 |
| Compensation per hour | 12.0 | 11.9 | 10.8 | 10.7 | 14.7 | 15.2 |
| Unit labor cost | 15.5 | 14.1 | 15.6 | 14.1 | 18.5 | 20.7 |
| Real compensation per hour | -1.5 | -1.6 | -2.6 | -2.6 | 0.9 | 1.3 |
| Output | -12.5 | -11.3 | -12.8 | -11.5 | -20.8 | -21.7 |
| Hours | -9.7 | -9.5 | -9.1 | -8.8 | -18.2 | -18.0 |

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PRODUCTIVITY AND COSTS

Private Business, Nonfarm Business, and Manufacturing Sectors
Third Quarter 1980

Productivity in the private business sector increased 1.4 percent at a seasonally adjusted annual rate in the third quarter of 1980, according to preliminary figures released today by the Bureau of Labor Statistics of the U.S. Department of Labor. The increase followed a 2.7 percent decline in the second quarter and a 0.3 percent decline in the first. The third-quarter increase reflected a 0.3 percent rise in output and a 1.1 percent drop in hours of all persons. This was the first productivity increase since the 0.3 percent gain in the fourth quarter of 1978.

In the nonfarm business sector, productivity increased 2.6 percent in the third quarter, following a 3.7 percent decline in the second quarter. Output rose 1.1 percent and hours declined 1.4 percent (annual rates) in the third quarter. This was the first productivity increase in this sector since the 0.8 percent gain in the fourth quarter of 1979.

Although the productivity measures relate output to the hours of all persons engaged in each sector, they do not measure the specific contributions of labor, capital, or any other single factor of production. Rather, they reflect the joint effects of many influences, including new technology, capital investment, the level of output, capacity utilization, energy use, and managerial skills, as well as the skills and efforts of the work force.

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Table A. Productivity and costs: percent change at annual rate
(Seasonally adjusted)

| Sector | Productivity | Hourly compensation | Unit labor cost | Real hourly compensation | Output | Hours |
|--|--------------|---------------------|-----------------|--------------------------|--------|-------|
| <u>PRELIMINARY</u> | | | | | | |
| Second quarter 1980 to third quarter 1980 | | | | | | |
| Private business | 1.4 | 8.3 | 6.8 | 1.0 | 0.3 | -1.1 |
| Nonfarm business | 2.6 | 8.4 | 5.7 | 1.1 | 1.1 | -1.4 |
| Manufacturing | -2.7 | 12.0 | 15.1 | 4.5 | -10.1 | -8.3 |
| Durable | -3.8 | 11.9 | 16.3 | 4.4 | -13.1 | -9.7 |
| Nondurable | -1.3 | 12.6 | 14.1 | 5.1 | -7.3 | -6.1 |
| <u>REVISED</u> | | | | | | |
| First quarter 1980 to second quarter 1980 | | | | | | |
| Nonfinancial corporations | -1.9 | 11.1 | 13.2 | -2.3 | -11.5 | -9.8 |
| <u>PRELIMINARY</u> | | | | | | |
| Third quarter 1979 to third quarter 1980 | | | | | | |
| Private business | -0.5 | 9.8 | 10.4 | -2.6 | -2.4 | -1.9 |
| Nonfarm business | -0.4 | 9.8 | 10.3 | -2.6 | -2.3 | -1.9 |
| Manufacturing | -2.9 | 11.6 | 14.9 | -1.1 | -9.3 | -6.6 |
| Durable | -3.2 | 12.2 | 15.8 | -0.6 | -11.5 | -8.6 |
| Nondurable | -2.8 | 11.2 | 14.4 | -1.4 | -6.1 | -3.4 |
| <u>REVISED</u> | | | | | | |
| Second quarter 1979 to second quarter 1980 | | | | | | |
| Nonfinancial corporations | -0.7 | 9.7 | 10.5 | -4.1 | -2.2 | -1.5 |

In manufacturing, productivity decreased 2.7 percent in the third quarter, as output dropped 10.7 percent while hours of all persons declined at an 8.3 percent annual rate. During the second quarter, productivity had declined 4.7 percent, as output declined 21.8 percent and hours of all persons dropped at an 18.0 percent annual rate. The third quarter decline marked the fourth consecutive decline in manufacturing productivity.

A summary of third-quarter changes in productivity and costs appears in table A; details are found in tables 1-6.

Private business sector

Productivity growth in the third quarter ended a six-quarter period of steadily dropping output per hour of all persons. Although output edged up 0.3 percent--in contrast to the 12.0 percent falloff during the second quarter of 1980--hours declined 1.1 percent, marking the second consecutive fall in hours. The second-quarter decrease in hours was much larger, however (9.6 percent). In the second quarter, productivity, output, and hours all declined (table 1).

Hourly compensation, which includes wages and salaries as well as fringe benefits and employer contributions to employee benefit plans, increased at an 8.3-percent annual rate in the third period, the smallest quarterly gain all year. During the second quarter, hourly compensation increased 12.0 percent. Unit labor cost, which reflects changes in both productivity and hourly compensation, increased 6.8 percent in the third quarter, down from a 15.1 percent increase one quarter earlier. This was the smallest quarterly rise in these costs in the private business sector since the 6.6 percent increase during the third quarter of 1978.

Real hourly compensation--hourly compensation adjusted for changes in the Consumer Price Index for All Urban Consumers (CPI-U)--increased 1.0 percent in the third quarter. In the second quarter, a 1.5 percent decline occurred. The third quarter increase ended a 9-quarter decline in this series.

The implicit price deflator, which shows the effects of changes in unit labor cost and unit nonlabor payments, increased 10.0 percent in the third quarter, compared with an 11.9 percent increase during the second quarter.

Compared with the third quarter of 1979, productivity declined 0.5 percent, as output dropped 2.4 percent and hours of all persons fell 1.9 percent. Hourly compensation rose 9.8 percent, and unit labor cost increased 10.4 percent over the 4-quarter period. Real hourly compensation dropped 2.6 percent, and the implicit price deflator rose 9.6 percent.

Nonfarm business sector

Productivity increased more in the nonfarm business sector than in the private business sector as a whole since it was not affected by the third-quarter decline in the farm sector which was included in the more comprehensive measure. The 2.6-percent third-quarter increase--the largest in 3 years--reflected a 1.1 percent increase in output coupled with a 1.4 percent decline in hours of all persons. During the second quarter, productivity had declined at a 3.7 percent annual rate (the second consecutive decline) as output fell 12.3 percent and hours were reduced by 8.9 percent (table 2).

Hourly compensation increased 8.4 percent in the third quarter, compared with a 10.8 percent increase in the second quarter. After adjusting for the increase in the CPI-U, real hourly compensation increased 1.1 percent in the third quarter. In the second quarter, it dropped 2.6 percent (seasonally adjusted annual rates).

Unit labor cost rose 5.7 percent in the third quarter, the smallest increase since the second quarter of 1978. The implicit price deflator increased 8.9 percent, compared with a 13.2 percent rise during the second quarter.

Compared with the third quarter of 1979, productivity declined 0.4 percent as output dropped 2.3 percent and hours fell 1.9 percent. Hourly compensation increased 9.8 percent over the 4-quarter period, while unit labor cost rose 10.3 percent. Real hourly compensation declined 2.6 percent, and the implicit price deflator was 10.0 percent higher than a year earlier.

Manufacturing

Productivity in the manufacturing sector continued to decline in the third quarter, in contrast to the increases posted in both business sectors discussed above. The 2.7 percent third-quarter productivity decline reflected a 10.7 percent reduction in output and an 8.3 percent decline in hours (table 3). The declines in productivity, output, and hours were all steeper in the durable goods manufacturing sector than in nondurables (tables 5,6). In all of manufacturing the second quarter declines were steeper; productivity fell 4.7 percent, as output dropped 21.8 percent and hours fell 18.0 percent (annual rates). The third quarter of 1980 was the fourth consecutive quarter of falling manufacturing productivity and the longest period of decline since 1955-56, when a 5-quarter decline occurred.

Hourly compensation increased 12.0 percent in the third quarter, but rose 4.5 percent after adjusting for the increase in the CPI-U. One quarter earlier, real hourly compensation increased 1.4 percent. Unit labor cost increased 15.1 percent, compared with a 20.9 percent increase in the second quarter (annual rates).

Compared with the third quarter of 1979, productivity declined 2.9 percent, as output fell 9.3 percent and hours dropped 6.6 percent. Hourly compensation increased 11.6 percent, and unit labor cost increased 14.9 percent. Real hourly compensation declined 1.1 percent over the period.

Nonfinancial Corporations

The Bureau of Labor Statistics also released revised second quarter productivity and cost measures for the nonfinancial corporate sector today. This sector, which includes all corporations doing business in the United States with the exception of banks, stock and commodity brokers, finance and credit agencies, and insurance carriers, showed a 1.9 percent drop in productivity in the second quarter, as output declined 11.5 percent while hours of all employees decreased 9.8 percent. Previously, productivity was reported down 1.1 percent as output fell 10.7 percent and hours dropped 9.8 percent. See table B.

Table B.
Nonfinancial corporations: preliminary and revised second quarter
measures of productivity and costs.
Quarterly change at annual rate.

Seasonally adjusted

| Measure | Preliminary | Revised |
|---------------------------------|--------------------|----------------|
| Productivity | -1.1 | -1.9 |
| Output | -10.7 | -11.5 |
| Hours | -9.8 | -9.8 |
| Hourly compensation | 11.1 | 11.1 |
| Real hourly compensation | -2.3 | -2.3 |
| Unit labor costs | 12.3 | 13.2 |
| Unit profits | -28.2 | -34.7 |
| Implicit price deflator | 12.3 | 12.1 |

Revised data

The productivity and cost measures for the manufacturing sector contained in this release are based on revisions to the index of industrial production published by the Board of Governors of the Federal Reserve. The revised measures are shown in tables 4-6 and appendix tables 1-3, covering the period from 1977 forward.

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PRODUCTIVITY AND COSTS

Nonfinancial Corporate Sector
Third Quarter 1980

Productivity in nonfinancial corporations increased 4.7 percent in the third quarter of 1980 at a seasonally adjusted annual rate, the Bureau of Labor Statistics of the U.S. Department of Labor reported today. The increase reflected a 0.6 percent increase in output and a 3.9 percent decline in hours of all persons. This was the first quarter that productivity increased in this sector since the fourth quarter of 1973, and the largest increase since 1975. In the first 2 quarters, output per all-employee hour dropped 0.1 percent and 1.9 percent, respectively. The nonfinancial corporate sector includes all corporations doing business in the United States with the exception of banks, stock and commodity brokers, and finance and insurance companies and accounts for about two-thirds of the private business sector.

Although the productivity measures relate output to the hours of all persons engaged in each sector, they do not measure the specific contributions of labor, capital, or any other single factor of production. Rather, they reflect the joint effects of many influences, including new technology, capital investment, the level of output, capacity utilization, energy use, and managerial skills, as well as the skills and efforts of the work force.

Table A. Productivity and costs: percent change at annual rate (Seasonally adjusted)

| Sector | Productivity | Hourly compensation | Unit labor cost | Real hourly compensation | Output | Hours |
|---|--------------|---------------------|-----------------|--------------------------|--------|-------|
| PRELIMINARY | | | | | | |
| Second quarter 1980 to third quarter 1980 | | | | | | |
| Nonfinancial corporations | 4.7 | 9.6 | 4.7 | 2.3 | 0.6 | -3.9 |
| REVISED | | | | | | |
| Private business | 0.3 | 8.7 | 8.4 | 1.5 | -0.8 | -1.0 |
| Nonfarm business | 1.5 | 8.8 | 7.2 | 1.6 | 0.1 | -1.4 |
| Manufacturing | -0.7 | 12.1 | 12.9 | 4.6 | -8.6 | -7.9 |
| Durable | -3.0 | 12.2 | 15.7 | 4.7 | -11.9 | -9.2 |
| Nondurable | 2.4 | 12.3 | 9.6 | 4.8 | -3.7 | -6.0 |
| PRELIMINARY | | | | | | |
| Third Quarter 1979 to Third Quarter 1980 | | | | | | |
| Nonfinancial corporations | 0.6 | 10.0 | 9.4 | -2.4 | -2.2 | -2.8 |
| REVISED | | | | | | |
| Private business | -0.8 | 9.9 | 10.8 | -2.5 | -2.6 | -1.9 |
| Nonfarm business | -0.7 | 9.9 | 10.7 | -2.5 | -2.5 | -1.9 |
| Manufacturing | -2.4 | 11.6 | 14.4 | -1.0 | -8.7 | -6.5 |
| Durable | -3.0 | 12.2 | 15.7 | -0.5 | -11.1 | -8.4 |
| Nondurable | -1.9 | 11.2 | 13.3 | -1.4 | -5.2 | -3.4 |

Revised third-quarter measures were also reported today for the private business, nonfarm business, and manufacturing sectors. The productivity gains reported October 27 for the private business and nonfarm business sectors have been revised downward almost entirely as a result of revisions in the output measures; in the private business sector productivity increased 0.3 percent, and, in the nonfarm business sector, the gain was 1.5 percent. Preliminary measures had shown gains of 1.4 percent and 2.6 percent, respectively. In manufacturing, the productivity decline was revised to 0.7 percent, rather than the 2.7 percent drop reported earlier. A summary of third-quarter productivity and cost measures appears in table A; details are found in tables 1-6.

Compensation and costs

Hourly compensation, which includes wages and salaries, supplements, employer contributions to employee-benefit plans, and employment taxes, increased at a 9.6 percent annual rate in the nonfinancial corporate sector in the third quarter of 1980 (seasonally adjusted). One quarter earlier, compensation increased 11.1 percent. Real hourly compensation--which is adjusted for changes in the Consumer Price Index for All Urban Consumers (CPI-U)--increased 2.3 percent in the third quarter of 1980.

Unit labor cost, which is influenced by changes in hourly compensation and productivity, increased 4.7 percent in the third quarter, compared with a 13.2 percent increase during the second quarter. This was the smallest increase in this series since the second quarter of 1978 when a 2.9 percent gain was recorded.

Unit profits increased 27.5 percent in the third quarter, compared with a 34.7 percent decline during the second quarter. This marked the first increase in profit per unit of output since the fourth quarter of 1978, when a 19.5 percent gain occurred.

The implicit price deflator, which shows the effects of changes in unit labor cost, unit nonlabor cost, and unit profits, increased 9.6 percent in the third quarter, compared with a 12.1 percent increase one quarter earlier.

Compared with the third quarter of last year, productivity increased 0.6 percent, as output declined 2.2 percent and hours fell 2.8 percent. Hourly compensation increased 10.0 percent, and unit labor cost rose 9.4 percent. Real hourly compensation declined 2.4 percent, and unit profits fell 9.7 percent.

Revised measures

Revised third-quarter productivity and cost measures for the private business, nonfarm business, and manufacturing sectors released today incorporate the most recent measures of output and hours and the revised monthly index of industrial production from the Board of Governors of the Federal Reserve. The revised measures show productivity increased 0.3 percent in the private business sector, 1.5 percent in the nonfarm business sector, and declined 0.7 percent in manufacturing. Previously, these movements had been reported at 1.4 percent, 2.6 percent, and -2.7 percent, respectively. As can be seen in table B, the revisions stem mainly from changes in the estimates of third-quarter output. Table B compares preliminary and revised third-quarter measures.

Table B.
 Preliminary and revised third quarter measures of productivity and costs.
 Quarterly change at annual rate.
 (Seasonally adjusted)

| Measure | Private business sector | | Nonfarm business sector | | Manufacturing | |
|-----------------------------------|-------------------------|---------|-------------------------|---------|---------------|---------|
| | Preliminary | Revised | Preliminary | Revised | Preliminary | Revised |
| Output per hour of all persons | 1.4 | 0.3 | 2.6 | 1.5 | -2.7 | -0.7 |
| Compensation per hour | 8.3 | 8.7 | 8.4 | 8.8 | 12.0 | 12.1 |
| Unit labor cost | 6.8 | 8.4 | 5.7 | 7.2 | 15.1 | 12.9 |
| Real compensation per hour | 1.0 | 1.5 | 1.1 | 1.6 | 4.5 | 4.6 |
| Output | 0.3 | -0.8 | 1.1 | 0.1 | -10.1 | -8.6 |
| Hours | -1.1 | -1.0 | -1.4 | -1.4 | -8.3 | -7.9 |

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PRODUCTIVITY AND COSTS

Private Business, Nonfarm Business, and Manufacturing Sectors
Fourth Quarter 1980
and Annual Averages for 1980

Labor productivity in the private business sector declined 1.9 percent at a seasonally adjusted annual rate in the fourth quarter of 1980, the Bureau of Labor Statistics of the U.S. Department of Labor reported today. The decline reflected a 6.3 percent increase in output and an 8.4 percent increase in hours. During the third quarter of 1980, labor productivity rose 1.5 percent.

For 1980 as a whole, productivity declined 0.3 percent, as output declined 0.9 percent and hours decreased 0.5 percent. (Annual changes are based on the comparison of the averages of the 4 quarterly levels in each year.)

The data in this release are based on revised output and compensation measures released by the Bureau of Economic Analysis incorporating the benchmark to the 1972 Census of Manufactures into the national income and product accounts. Historical measures are available on request from the Office of Productivity and Technology, Bureau of Labor Statistics, Washington, D.C. 20212, telephone (202) 523-9261.

Beginning with this release, indexes of productivity and costs prepared by the Bureau of Labor Statistics now use 1977 as the reference base year, rather than 1967. The base period of Federal statistical indexes is revised approximately every 10 years. In announcing the latest revision for Federal statistics, the Office of Federal Statistical Policy and Standards noted that reference periods are changed to ensure that the indexes are based "on a reasonable approximation of the current structure of the economy" and to "facilitate the visual comprehension of rates of change from a base period that is not too far distant in time."

Although the productivity measures relate output to the hours of all persons engaged in each sector, they do not measure the specific contributions of labor, capital, or any other single factor of production. Rather, they reflect the joint effects of many influences, including new technology, capital investment, the level of output, capacity utilization, energy use, and managerial skills, as well as the skills and efforts of the work force.

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Table A. Productivity and costs: percent change at annual rate (Seasonally adjusted)

| Sector | Productivity | Hourly compensation | Unit labor cost | Real hourly compensation | Output | Hours |
|--|--------------|---------------------|-----------------|--------------------------|--------|-------|
| PRELIMINARY | | | | | | |
| Third quarter 1980 to fourth quarter 1980 | | | | | | |
| Private business | -1.9 | 8.5 | 10.6 | -3.4 | 6.3 | 8.4 |
| Nonfarm business | -1.1 | 9.6 | 10.9 | -2.3 | 6.5 | 7.7 |
| Manufacturing | 10.6 | 10.1 | -0.4 | -1.9 | 23.8 | 11.9 |
| Durable | 12.0 | 11.4 | -0.5 | -0.7 | 28.6 | 14.8 |
| Nondurable | 9.0 | 7.0 | -1.9 | -4.7 | 17.3 | 7.6 |
| 1979 to 1980 Annual Average | | | | | | |
| Private business | -0.3 | 10.0 | 10.4 | -3.1 | -0.9 | -0.5 |
| Nonfarm business | -0.5 | 9.8 | 10.3 | -3.3 | -0.9 | -0.4 |
| Manufacturing | 0.0 | 10.5 | 10.5 | -2.7 | -4.2 | -4.1 |
| Durable | -0.8 | 11.0 | 11.9 | -2.2 | -6.1 | -5.4 |
| Nondurable | 0.9 | 10.0 | 9.0 | -3.1 | -1.3 | -2.2 |
| Second quarter 1980 to third quarter 1980 | | | | | | |
| REVISED | | | | | | |
| Nonfinancial corporations | 6.8 | 10.3 | 3.3 | 3.0 | 3.4 | -3.2 |
| PRELIMINARY | | | | | | |
| Fourth quarter 1979 to fourth quarter 1980 | | | | | | |
| Private business | -0.3 | 10.2 | 10.5 | -2.0 | -0.8 | -0.6 |
| Nonfarm business | -0.1 | 10.0 | 10.1 | -2.2 | -0.6 | -0.5 |
| Manufacturing | 1.3 | 12.1 | 10.7 | -0.3 | -2.5 | -3.7 |
| Durable | 0.8 | 13.2 | 12.3 | 0.7 | -4.1 | -4.9 |
| Nondurable | 1.7 | 10.3 | 8.5 | -1.9 | -0.1 | -1.8 |
| REVISED | | | | | | |
| Third quarter 1979 to third quarter 1980 | | | | | | |
| Nonfinancial corporations | 1.3 | 10.3 | 8.9 | -2.2 | -1.6 | -2.8 |

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This was the third consecutive year of falling labor productivity in the private business sector, and the fourth ever in the series, which begins with 1947.

In the nonfarm business sector, labor productivity decreased 1.1 percent in the fourth quarter (seasonally adjusted annual rate), as output increased 6.5 percent and hours increased 7.7 percent. In the third quarter, productivity rose 3.7 percent. Compared with 1979, productivity decreased 0.5 percent in 1980 in the nonfarm business sector, as output went down 0.9 percent and hours fell 0.4 percent.

In manufacturing, productivity increased 10.6 percent in the fourth quarter of 1980, as output went up at annual rate of 23.8 percent and hours increased 11.9 percent. The large increase in manufacturing output and hours in the final quarter recovered much of the decline which occurred earlier in 1980. The increases in productivity and output were the largest since the third quarter of 1975 (when increases of 23.1 percent and 30.8 percent, respectively, were recorded); the increase in hours was the largest since the 15.2 percent gain in the first quarter of 1959.

Fourth-quarter and annual measures are summarized in table A; details are given in tables 1-6. Revised third-quarter measures for the nonfinancial corporate sector were also released today (tables A and 3).

Private business sector

Productivity declined in both the second and the fourth quarters of 1980 in the private business sector. Although productivity declined by 1.9 percent in both quarters, the second-quarter drop occurred when output and hours were both falling, whereas in the fourth quarter both output and hours rose substantially. The 6.3 percent output gain during the quarter was the largest since the 9.4-percent rise in the second quarter of 1978. The gain in hours matched the 8.4 percent increase which occurred during the second quarter of 1978 and was the largest since the 10.0 percent increase in second quarter of 1959.

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Hourly compensation--which measures the hourly cost of wages and salaries, supplements, employer contribution to employee-benefit plans, and Social Security--increased 8.5 percent in the fourth quarter, the smallest increase in more than a year. Real hourly compensation, which is adjusted for changes in the Consumer Price Index for All Urban Consumers (CPI-U), declined 3.4 percent in the fourth quarter. One quarter earlier, hourly compensation had risen 9.7 percent, and real hourly compensation had increased 2.4 percent.

Unit labor cost, which reflects changes in productivity and hourly compensation, increased 10.6 percent in the fourth quarter, compared with an 8.1 percent gain during the third quarter (annual rates).

The implicit price deflator, which reflects the impact of unit labor cost and unit nonlabor payments on sector prices, increased 10.4 percent in the fourth quarter, compared with a 9.8 percent increase during the third quarter.

Over the 4-quarter period ending with the fourth quarter of 1980, productivity fell 0.3 percent, as output declined 0.8 percent and hours decreased 0.6 percent. Hourly compensation increased 10.2 percent, and real hourly compensation declined 2.0 percent; unit labor cost increased 10.5 percent. The implicit price deflator went up 10.1 percent over the period.

Nonfarm business sector

Productivity declined 1.1 percent in the nonfarm business sector in the fourth quarter, as output rose 6.5 percent and hours of all persons increased 7.7 percent. Here also, gains in output and hours were the largest since the second quarter of 1978, when a 10.4 percent increase in output occurred. This marked the second quarter in 1980 in which productivity declined in this sector; however for this sector the second-quarter decline was greater--down 3.0 percent. Hourly compensation increased 9.6 percent--but declined 2.3 percent after adjustment for the increase in the CPI-U--and unit labor cost rose 10.9 percent (quarterly changes at compound annual rates).

The implicit price deflator rose 10.7 percent in the fourth quarter, reflecting the gains in unit labor cost and unit nonlabor payments.

Compared with the fourth quarter of 1979, productivity declined 0.1 percent in the nonfarm business sector, as output declined 0.6 percent and hours fell 0.5 percent. Hourly compensation increased 10.0 percent, and unit labor cost rose 10.1 percent. The implicit price deflator increased 10.4 percent.

Manufacturing

Productivity advanced 10.6 percent in the manufacturing sector in the fourth quarter of 1980, reflecting rebounds in output and hours from the declines earlier in the year. Output advanced 23.8 percent (annual rate), and hours gained 11.9 percent. However, compared with the fourth quarter a year ago, output was off 2.5 percent and hours down 3.7 percent; productivity was 1.3 percent higher.

Hourly compensation increased 10.1 percent, compared with a 12.7 percent rise during the third quarter. Real hourly compensation declined 1.9 percent, compared with a 5.2 percent increase during the third quarter. Unit labor cost declined 0.4 percent (the first decline since 1975) compared with a 13.6 percent increase during the third quarter. Compared with the fourth quarter of 1979, hourly compensation increased 12.1 percent, real hourly compensation declined 0.3 percent, and unit labor cost went up 10.7 percent.

Summary of annual productivity and cost movements: 1980

From 1979 to 1980 labor productivity declined 0.3 percent in the private business sector, marking the third year of decline in a row. (In 1979, the decline was 0.4 percent, and in 1978 it fell 0.2 percent.) Output edged down 0.9 percent, and hours were off 0.5 percent compared with 1979. The fall in output during 1980 was entirely due to a decline in the second quarter; although hours fell in both the second and third quarters, the second-quarter drop was much larger.

Hourly compensation increased 10.0 percent in 1980, the largest annual gain in the series which covers the 1947-forward period. Combined with the small drop in productivity, the rise in hourly compensation was reflected in the 10.4 percent increase in unit labor cost, equaling the increase in 1979. Owing partly to the increase in the CPI-U, real hourly compensation dropped 3.1 percent in 1980, the largest decline ever recorded in the series. Last year, a 1.2 percent decline occurred. Employment in the private business sector grew to about 80.1 million, the smallest annual increase (0.6 percent) since the decline in 1975.

In the nonfarm business sector, productivity declined 0.5 percent in 1980, reflecting a 0.9 percent decrease in output and a 0.4 percent drop in hours paid for. This marked the third consecutive year that productivity has declined and the first drops in output and hours since 1975.

Hourly compensation in the nonfarm business sector increased 9.8 percent in 1980, compared with a 9.6 percent rise during 1979. The 1980 increase was the largest in the series. Real hourly compensation fell 3.3 percent. Unit labor cost rose 10.3 percent, a bit less than the 10.4 percent gain in 1979. The continued increases in hourly compensation, coupled with falling labor productivity, have resulted in rapid increases in unit labor cost. The implicit price deflator rose 9.7 percent in 1980, compared with an 8.6 percent rise in 1979.

In manufacturing, productivity was unchanged from 1979 levels in 1980. Output and hours both declined about 4.1 percent. Hourly compensation and unit labor cost rose by the same amount--10.5 percent--since productivity was unchanged. Productivity declined in durables and increased in nondurables, but output and hours declined in both subsectors.

Table B contains annual changes in productivity, output, and hours since 1970.

Nonfinancial corporations

The Bureau of Labor Statistics also reported revised measures for nonfinancial corporations, complete through the third quarter. In this sector, which includes all corporations doing business in the United States with the exception of banks, stock and commodity brokers, and finance and credit agencies, productivity advanced 6.8 percent in the third quarter of 1980, as output increased 3.4 percent and hours declined 3.2 percent (annual rates). Previously, these changes had been reported at 4.7 percent, 0.6 percent, and -3.9 percent, respectively, based on preliminary unrevised data. (See table 3.)

Revisions to productivity and cost measure

The productivity and cost measures contained in this press release are all based on revised measures of output and employee compensation released by the Bureau of Economic Analysis of the U.S. Department of Commerce. The new series have been adjusted to take into account the results of the 1972 Census of Manufactures. In addition, revisions to other underlying seasonal and other adjustment factor series have been introduced. The appendix tables 1-6 contain revised indexes from 1972 to 1978. Data for 1979 and 1980 are contained in tables 1-6. Historical measures are available on request from the Office of Productivity and Technology, Bureau of Labor Statistics, Washington, D.C. 20212, telephone (202) 523-9261.

Table B. Annual changes in productivity, output, and hours.

| Year | Private Business | | | Nonfarm Business | | | Manufacturing | | |
|------|------------------|--------|-------|------------------|--------|-------|---------------|--------|-------|
| | Productivity | Output | Hours | Productivity | Output | Hours | Productivity | Output | Hours |
| 1970 | 0.9 | -0.8 | -1.7 | 0.3 | -1.0 | -1.4 | -0.1 | -5.7 | -5.6 |
| 1971 | 3.6 | 3.0 | 0.5 | 3.3 | 2.9 | -0.4 | 5.2 | 1.4 | -3.7 |
| 1972 | 3.5 | 6.6 | 3.0 | 3.7 | 6.9 | 3.1 | 4.8 | 9.3 | 4.3 |
| 1973 | 2.7 | 6.6 | 3.9 | 2.5 | 6.9 | 4.2 | 2.7 | 8.4 | 5.5 |
| 1974 | -2.3 | -1.9 | 0.4 | -2.4 | -1.9 | 0.4 | -5.0 | -6.7 | -1.9 |
| 1975 | 2.3 | -1.9 | -4.1 | 2.1 | -2.2 | -4.2 | 5.1 | -5.1 | -9.7 |
| 1976 | 3.3 | 6.3 | 2.9 | 3.2 | 6.7 | 3.4 | 4.4 | 9.5 | 4.9 |
| 1977 | 2.1 | 6.3 | 4.0 | 2.0 | 6.4 | 4.3 | 3.0 | 7.3 | 4.2 |
| 1978 | -0.2 | 4.7 | 4.9 | -0.2 | 4.9 | 5.1 | 0.4 | 4.8 | 4.4 |
| 1979 | -0.4 | 2.8 | 3.3 | -0.8 | 2.7 | 3.5 | 0.9 | 3.1 | 2.1 |
| 1980 | -0.3 | -0.9 | -0.5 | -0.5 | -0.9 | -0.4 | 0.0 | -4.2 | -4.1 |

News

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Washington, D.C. 20212

Lawrence Fulco (202) 523-9261
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For Release 10:00 AM EST
Thursday, February 26, 1981**PRODUCTIVITY AND COSTS**Nonfinancial Corporate Sector
Annual Data for 1980

Productivity, defined as output per employee hour, increased 0.3 percent in 1980 in the nonfinancial corporate sector, according to preliminary measures announced today by the Bureau of Labor Statistics of the U.S. Department of Labor. During 1979, productivity declined 0.1 percent in this sector. The productivity gain in 1980 reflected a 0.8 percent decline in output and a 1.1 percent fall in hours of all employees; during 1979, both output and hours increased. The nonfinancial corporate sector includes all corporations doing business in the United States, with the exception of banks, stock and commodity brokers, and finance and insurance agencies, and accounted for two-thirds of the private business sector in 1980. A summary of annual changes appears in table A; details are given in table 3.

Revised fourth-quarter productivity and cost measures for the private business, nonfarm business, and manufacturing sectors were also announced today; a summary appears in table B and details in tables 1, 2, and 4-6.

Productivity and cost measures in this press release for the manufacturing sector reflect the incorporation of revised annual output levels for durable and nondurable manufacturing prepared by the Bureau of Economic Analysis of the U.S. Department of Commerce as part of the revisions of the national income and product accounts. Historical measures are available on request from the Office of Productivity and Technology, Bureau of Labor Statistics, Washington, D.C. 20212, telephone (202) 523-9261.

Although the productivity measures relate output to the hours of all persons engaged in each sector, they do not measure the specific contributions of labor, capital, or any other single factor of production. Rather, they reflect the joint effects of many influences, including new technology, capital investment, the level of output, capacity utilization, energy use, and managerial skills, as well as the skills and efforts of the work force.

Table A. Productivity and costs in nonfinancial corporations
Percent change from previous year

| Measure | 1975 | 1976 | 1977 | 1978 | 1979 | P1980 |
|--------------------------|------|------|------|------|------|-------|
| Output per employee hour | 3.4 | 3.2 | 2.7 | 0.4 | -0.1 | 0.3 |
| Hourly compensation | 10.1 | 8.2 | 8.1 | 8.2 | 9.6 | 9.9 |
| Unit labor cost | 6.5 | 4.9 | 5.3 | 7.8 | 9.7 | 9.6 |
| Real hourly compensation | 0.9 | 2.3 | 1.5 | 0.5 | -1.5 | -3.2 |
| Output | -2.0 | 7.4 | 7.2 | 5.8 | 3.3 | -0.8 |
| Hours | -5.2 | 4.1 | 4.4 | 5.3 | 3.5 | -1.1 |
| Unit nonlabor payments | 20.1 | 4.6 | 5.2 | 3.8 | 4.4 | 8.0 |
| Unit profits | 38.1 | 16.0 | 9.9 | 3.0 | -3.9 | -10.2 |

p=preliminary

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Table B. Productivity and costs: percent change at annual rate
(Seasonally adjusted)

| Sector | Productivity | Hourly compensation | Unit labor cost | Real hourly compensation | Output | Hours |
|--|--------------|---------------------|-----------------|--------------------------|--------|-------|
| <u>Revised</u> | | | | | | |
| Third Quarter 1980 to Fourth Quarter 1980 | | | | | | |
| Private business | -2.8 | 8.4 | 11.5 | -3.4 | 5.2 | 8.2 |
| Nonfarm business | -1.9 | 9.6 | 11.8 | -2.3 | 5.4 | 7.5 |
| Manufacturing | 11.7 | 10.3 | -1.3 | -1.8 | 24.2 | 11.2 |
| Durable | 13.8 | 11.4 | -2.2 | -0.8 | 29.9 | 14.1 |
| Nondurable | 8.9 | 7.5 | -1.3 | -4.2 | 16.5 | 7.0 |
| 1979 to 1980 Annual Average | | | | | | |
| Private business | -0.4 | 10.0 | 10.5 | -3.1 | -0.9 | -0.5 |
| Nonfarm business | -0.6 | 9.7 | 10.4 | -3.3 | -1.0 | -0.4 |
| Manufacturing | -0.5 | 10.5 | 11.0 | -2.7 | -4.6 | -4.1 |
| Durable | -1.4 | 11.0 | 12.5 | -2.3 | -6.7 | -5.4 |
| Nondurable | 0.9 | 10.0 | 9.0 | -3.1 | -1.3 | -2.2 |
| Fourth Quarter 1979 to Fourth Quarter 1980 | | | | | | |
| Private business | -0.5 | 10.2 | 10.7 | -2.0 | -1.1 | -0.6 |
| Nonfarm business | -0.3 | 10.0 | 10.4 | -2.2 | -0.9 | -0.6 |
| Manufacturing | 1.1 | 12.1 | 10.9 | -0.3 | -2.8 | -3.9 |
| Durable | 0.8 | 13.2 | 12.4 | 0.7 | -4.3 | -5.1 |
| Nondurable | 1.6 | 10.5 | 8.8 | -1.8 | -0.4 | -2.0 |

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Compensation and labor cost for nonfinancial corporations

Hourly compensation increased 9.9 percent in 1980 for all employees in the nonfinancial corporate sector, compared with a 9.6 percent increase in 1979.

This measure includes the hourly cost to employers of wages and salaries as well as all fringe benefits, shift differentials, and employer payments to employee benefit plans. Unit labor cost (compensation per unit of output) increased 9.6 percent in 1980, compared with a 9.7 percent increase during 1979.

Real hourly compensation--compensation outlays adjusted for the increase in the Consumer Price Index for All Urban Consumers--declined 3.2 percent in 1980, the largest fall in this series which begins with data for 1958. This decline leaves real hourly compensation at its lowest level since 1974.

Unit nonlabor cost, which includes capital consumption allowances, net interest, and indirect business taxes, increased 15.7 percent in 1980, compared with an 8.2 percent rise during 1979.

Profits and prices for nonfinancial corporations

Profits per unit of output declined 10.2 percent during 1980, reflecting a 10.9 percent fall in profits and a 0.8 percent decline in output. Unit profits were lower in 1980 than at any time since 1975, and the decline was the largest since 1974.

The implicit price deflator for the nonfinancial corporate sector--which reflects changes in unit labor cost, unit nonlabor cost, and unit profits--increased 9.1 percent in 1980, compared with a 7.9 percent gain in 1979. This was the largest gain in the deflator since the 10.9 percent increase of 1975.

Revised fourth quarter measures for the business sectors

The Bureau of Labor Statistics also released revised fourth quarter measures today for the private business, nonfarm business, and manufacturing sectors. Reflecting the revised output and compensation measure prepared by the Bureau of Economic Analysis of the U.S. Department of Commerce, revised productivity and cost measures show productivity declined 2.8 percent in the fourth quarter in the private business sector and declined 1.9 percent in the nonfarm business sector. On the basis of preliminary data, these measures had been published as -1.9 percent and -1.1 percent respectively. In manufacturing, productivity increased 11.7 percent in the fourth quarter; preliminary data showed a 10.6 percent gain. Preliminary and revised measures are compared in table C.

Table C. Preliminary and revised productivity and related measures, Fourth quarter 1980
Percent change from previous quarter at annual rate
(Seasonally adjusted)

| | Preliminary | Revised |
|--------------------------------|-------------|---------|
| Private business sector | | |
| Output per hour of all persons | -1.9 | -2.8 |
| Compensation per hour | 8.5 | 8.4 |
| Unit labor cost | 10.6 | 11.5 |
| Real compensation per hour | -3.4 | -3.4 |
| Output | 6.3 | 5.2 |
| Hours | 8.4 | 8.2 |
| Nonfarm business sector | | |
| Output per hour of all persons | -1.1 | -1.9 |
| Compensation per hour | 9.6 | 9.6 |
| Unit labor cost | 10.9 | 11.8 |
| Real compensation per hour | -2.3 | -2.3 |
| Output | 6.5 | 5.4 |
| Hours | 7.7 | 7.5 |
| Manufacturing | | |
| Output per hour of all persons | 10.6 | 11.7 |
| Compensation per hour | 10.1 | 10.3 |
| Unit labor cost | -0.4 | -1.3 |
| Real compensation per hour | -1.9 | -1.8 |
| Output | 23.8 | 24.2 |
| Hours | 11.9 | 11.2 |
| Durable | | |
| Output per hour of all persons | 12.0 | 13.8 |
| Compensation per hour | 11.4 | 11.4 |
| Unit labor cost | -0.5 | -2.2 |
| Real compensation per hour | -0.7 | -0.8 |
| Output | 28.6 | 29.9 |
| Hours | 14.8 | 14.1 |
| Nondurable | | |
| Output per hour of all persons | 9.0 | 8.9 |
| Compensation per hour | 7.0 | 7.5 |
| Unit labor cost | -1.9 | -1.3 |
| Real compensation per hour | -4.7 | -4.2 |
| Output | 17.3 | 16.5 |
| Hours | 7.6 | 7.0 |

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Washington, D.C. 20212

Lawrence Fulco (202) 523-9261
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For Release 10:00 AM EDT
Monday, April 27, 1981**PRODUCTIVITY AND COSTS**Private Business, Nonfarm Business, and Manufacturing Sectors
First Quarter 1981
(and data for Nonfinancial Corporations, Fourth Quarter 1980)

Productivity, defined as output per hour of all persons, increased 3.9 percent in the private business sector in the first quarter of 1981, according to preliminary measures announced today by the Bureau of Labor Statistics of the U.S. Department of Labor. During the fourth quarter of 1980, productivity declined 1.2 percent. The productivity gain in the first quarter reflected a 7.2 percent increase in output and a 3.2 percent increase in hours.

In the nonfarm business sector, productivity increased 3.6 percent, as output rose 7.3 percent and hours of all persons increased 3.6 percent. During the fourth quarter of 1980, productivity declined 0.4 percent in this sector.

In manufacturing, productivity increased at a 1.6 percent annual rate; output increased 6.1 percent while hours increased 4.4 percent. During the fourth quarter, productivity rose 11.4 percent in this sector, as output increased 24.0 percent and hours increased 11.2 percent.

First quarter measures are summarized in table A; details are given in tables 1-6. Revised annual measures for nonfinancial corporations and measures for the fourth quarter of 1980 were also released today. (See table B.)

Note: Revised seasonal factors for the Consumer Price Index for all Urban Consumers (CPI-U) introduced in this press release affect measures of real hourly compensation from 1967 forward.

Although the productivity measures relate output to the hours of all persons engaged in each sector, they do not measure the specific contributions of labor, capital, or any other single factor of production. Rather, they reflect the joint effects of many influences, including new technology, capital investment, the level of output, capacity utilization, energy use, and managerial skills, as well as the skills and efforts of the work force.

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Table A. Productivity and costs: percent change at annual rate
(Seasonally adjusted)

| Sector | Productivity | Hourly compensation | Unit labor cost | Real hourly compensation | Output | Hours |
|---|--------------|---------------------|-----------------|--------------------------|--------|-------|
| | | | | | | |
| Fourth Quarter 1980 to First Quarter 1981 | | | | | | |
| Private business | 3.9 | 11.5 | 7.4 | 0.1 | 7.2 | 3.2 |
| Nonfarm business | 3.6 | 11.3 | 7.5 | -0.1 | 7.3 | 3.6 |
| Manufacturing | 1.6 | 10.6 | 8.8 | -0.8 | 6.1 | 4.4 |
| Durable | 2.6 | 10.7 | 7.8 | -0.7 | 7.1 | 4.4 |
| Nondurable | 0.1 | 10.4 | 10.2 | -0.9 | 4.6 | 4.4 |
| First Quarter 1980 to First Quarter 1981 | | | | | | |
| Private business | 0.5 | 10.5 | 9.9 | -0.7 | 0.6 | 0.1 |
| Nonfarm business | 1.0 | 10.3 | 9.3 | -0.8 | 1.0 | 0.0 |
| Manufacturing | 1.4 | 12.2 | 10.7 | 0.8 | -1.4 | -2.8 |
| Durable | 1.8 | 12.9 | 10.9 | 1.4 | -2.2 | -3.9 |
| Nondurable | 0.7 | 11.5 | 10.7 | 0.2 | -0.2 | -0.9 |

Private business sector

Productivity increased 3.9 percent in the private business sector, compared with a 1.2 percent decline in the fourth quarter of 1980. This was the largest increase since the 5.1 percent gain in the third quarter of 1977. Output growth accelerated from the previous quarter--increasing 7.2 percent in the first quarter of 1981 compared with a 6.9 percent gain during the fourth quarter of 1980 (annual rates). Growth in hours slowed--from an 8.3 percent annual rate in the fourth quarter to a 3.2 percent increase during the first quarter of 1981.

Hourly compensation--which includes wages and salaries, supplements, and employer payments for social security and other employee-benefit plans--increased 11.5 percent in the first quarter of 1981, compared with an 8.4 percent increase during the fourth quarter of 1980. This was the largest increase in hourly compensation since the 12.2 percent rise during the second quarter of 1980, and partly reflected increases in the minimum wage and social security contributions.

Real hourly compensation--which adjusts for increases in the Consumer Price Index for All Urban Consumers (CPI-U)--increased 0.1 percent in the first quarter of 1981, compared with a 4.0 percent decline during the fourth quarter of 1980.

Unit labor cost--which shows the effect of changes in hourly compensation and productivity--increased 7.4 percent in the first quarter of 1981, compared with a 9.7 percent increase during the fourth quarter of 1980. This was the smallest gain in these costs since the 7.2 percent rise during the second quarter of 1978. Unit nonlabor payments--which consist of indirect business taxes, depreciation, net interest, and profits--increased 8.2 percent in the first quarter, down from a 10.3 percent rate of increase during the fourth quarter of 1980.

The implicit price deflator--which measures price increases in a specific sector and reflects changes in unit labor cost and unit nonlabor cost combined--increased 7.6 percent in the first quarter, compared with a 9.9 percent increase during the fourth quarter of 1980. This was the smallest rise in the deflator since the 7.4 percent increase during the fourth quarter of 1979.

Compared with the first quarter of 1980, productivity increased 0.5 percent as output rose 0.6 percent and hours increased 0.1 percent. Hourly compensation increased 10.5 percent over the 4-quarter span, while real hourly compensation decreased 0.7 percent. Unit labor cost rose 9.9 percent, and the implicit price deflator rose 9.5 percent.

Nonfarm business sector

Productivity gains in the nonfarm business sector in the first quarter of 1981 were smaller than the gains in the more comprehensive private business sector, since the farm sector is not included in the former measure. In the nonfarm business sector, productivity increased 3.6 percent, reflecting a 7.3 percent increase in output and a 3.6 percent rise in hours. During the fourth quarter of 1980, productivity declined 0.4 percent.

Hourly compensation increased 11.3 percent (the largest gain since the 12.3 percent rise in the second quarter of 1974), and unit labor cost rose 7.5 percent. Real hourly compensation declined 0.1 percent, and the implicit price deflator rose 8.4 percent.

Compared with the first quarter of 1980, productivity increased 1.0 percent as output rose 1.0 percent and hours remained unchanged. Hourly compensation increased 10.3 percent, and real hourly compensation decreased 0.8 percent. Unit labor cost rose 9.3 percent, and the implicit price deflator rose 9.5 percent over the 4-quarter span.

Manufacturing

Productivity in the manufacturing sector moved up 1.6 percent, after leaping 11.4 percent during the fourth quarter of 1980. Output grew 6.1 percent, and hours rose 4.4 percent. During the fourth quarter of 1980, output increased 24.0 percent and hours increased 11.2 percent (annual rates).

Hourly compensation in manufacturing rose 10.6 percent in the first quarter of 1981, compared with a 10.2 percent increase one quarter earlier. Real hourly compensation declined 0.8 percent. Unit labor cost rose 8.8 percent, after falling 1.1 percent during the fourth quarter of 1980.

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Among durables, productivity increased 2.6 percent as output rose 7.1 percent and hours increased 4.4 percent. In nondurables, the productivity gain was smaller—a 0.1 percent rise resulting from a 4.6 percent increase in output and a 4.4 percent rise in hours.

Compared with the first quarter of 1980, productivity increased 1.4 percent in all of manufacturing, as output declined 1.4 percent and hours fell 2.8 percent. Hourly compensation increased 12.2 percent, and unit labor cost rose 10.7 percent. Real hourly compensation increased 0.8 percent.

Fourth quarter measures for nonfinancial corporations

Fourth quarter 1980 productivity and cost measures were also announced today for the nonfinancial corporate sector, together with revised annual movements. (See table B.) Output per all-employee hour decreased 0.1 percent in the fourth quarter of 1980, as output rose 7.9 percent while hours of all employees increased 8.1 percent. Hourly compensation increased 9.2 percent, but dropped 3.2 percent when the rise in the CPI-U was taken into account. Unit labor cost went up 9.4 percent, and unit profit increased 15.7 percent (annual rates). See table 3.

Table B. Nonfinancial Corporations
Percent change in productivity and costs at annual rates seasonally adjusted

| ITEM | 3rd quarter 1980 | 4th quarter 1979 | 1980 |
|------------------------------|------------------|------------------|---------|
| | to | to | Annual |
| | 4th quarter 1980 | 4th quarter 1980 | Annual |
| | PRELIMINARY | PRELIMINARY | REVISED |
| Output per all-employee hour | -0.1 | 1.8 | 0.5 |
| Hourly compensation | 9.2 | 10.3 | 10.0 |
| Unit labor cost | 9.4 | 8.4 | 9.5 |
| Real hourly compensation | -3.2 | -2.0 | -3.1 |
| Output | 7.9 | 0.4 | -0.7 |
| Hours | 8.1 | -1.4 | -1.2 |
| Unit profits | 15.7 | 0.3 | -8.9 |

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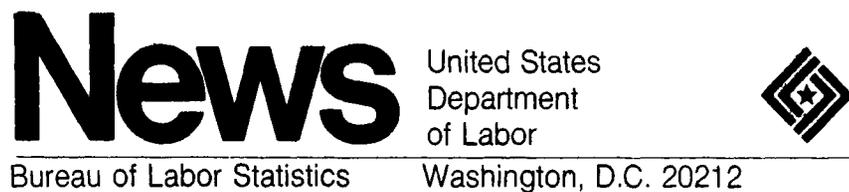
Revisions to fourth quarter measures for the business sectors

The productivity and cost measures announced today include revised fourth quarter 1980 output measures which incorporate the latest information prepared by the Bureau of Economic Analysis of the U.S. Department of Commerce for the national income and product accounts. A comparison of the measures announced by BLS on February 26 and the most recent revision appears in table C.

Table C. Previous and revised productivity and related measures,
Fourth quarter 1980

Percent change from previous quarter at annual rate
(Seasonally adjusted)

| | Previous | Revised |
|--------------------------------|----------|---------|
| <u>Private business sector</u> | | |
| Output per hour of all persons | -2.8 | -1.2 |
| Compensation per hour | 8.4 | 8.4 |
| Unit labor cost | 11.5 | 9.7 |
| Real compensation per hour | -3.4 | -4.0 |
| Output | 5.2 | 6.9 |
| Hours | 8.2 | 8.3 |
| <u>Nonfarm business sector</u> | | |
| Output per hour of all persons | -1.9 | -0.4 |
| Compensation | 9.6 | 9.6 |
| Unit labor cost | 11.8 | 10.1 |
| Real compensation per hour | -2.3 | -2.9 |
| Output | 5.4 | 7.1 |
| Hours | 7.5 | 7.5 |



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PRODUCTIVITY AND COSTS

Nonfinancial Corporate Sector
First Quarter 1981

Productivity in nonfinancial corporations increased at a 5.6 percent annual rate in the first quarter of 1981, the Bureau of Labor Statistics of the U.S. Department of Labor reported today. The increase reflected a 10.8 percent increase in output and a 4.9 percent rise in hours of all employees. In the fourth quarter of 1980, productivity declined 0.1 percent in this sector, which includes all corporations doing business in the United States, with the exception of banks, stock and commodity brokers, and finance and insurance companies. Productivity had risen at a 6.9 percent annual rate in the third quarter of 1980. The first quarter rise in output was the largest since the 12.2 percent increase of the second quarter of 1978, and the gain in hours compares with an 8.1 percent rise during the fourth quarter of 1980.

Revised first-quarter measures were also reported today for the private business, nonfarm business, and manufacturing sectors. The latest measures show productivity increased 4.3 percent in the private business sector, 4.0 percent in the nonfarm business sector, and 3.1 percent in manufacturing. Preliminary measures reported April 27 showed changes of 3.9 percent, 3.6 percent, and 1.6 percent, respectively.

A summary of first-quarter measures appears in table A; details are given in tables 1-6.

Although the productivity measures relate output to the hours of all persons engaged in each sector, they do not measure the specific contributions of labor, capital, or any other single factor of production. Rather, they reflect the joint effects of many influences, including new technology, capital investment, the level of output, capacity utilization, energy use, and managerial skills, as well as the skills and efforts of the work force.

Table A. Productivity and costs: percent change at annual rate (Seasonally adjusted)

| Sector | Productivity | Hourly compensation | Unit labor cost | Real hourly compensation | Output | Hours |
|--|--------------|---------------------|-----------------|--------------------------|--------|-------|
| <u>Fourth Quarter 1980 to First Quarter 1981</u> | | | | | | |
| <u>PRELIMINARY</u> | | | | | | |
| Nonfinancial corporations | 5.6 | 11.2 | 5.3 | -0.2 | 10.8 | 4.9 |
| <u>REVISED</u> | | | | | | |
| Private business | 4.3 | 11.7 | 7.1 | 0.2 | 7.5 | 3.1 |
| Nonfarm business | 4.0 | 11.4 | 7.2 | 0.0 | 7.6 | 3.5 |
| Manufacturing | 3.1 | 10.9 | 7.5 | -0.5 | 7.5 | 4.2 |
| Durable | 4.4 | 11.0 | 6.3 | -0.3 | 8.6 | 4.0 |
| Nondurable | 1.3 | 10.6 | 9.2 | -0.7 | 5.8 | 4.5 |
| <u>First Quarter 1980 to First Quarter 1981</u> | | | | | | |
| <u>PRELIMINARY</u> | | | | | | |
| Nonfinancial corporations | 2.9 | 10.7 | 7.6 | -0.5 | 2.4 | -0.5 |
| <u>REVISED</u> | | | | | | |
| Private business | 0.6 | 10.5 | 9.8 | -0.7 | 0.7 | 0.1 |
| Nonfarm business | 1.0 | 10.4 | 9.2 | -0.8 | 1.0 | 0.0 |
| Manufacturing | 2.1 | 12.3 | 10.0 | 0.9 | -0.8 | -2.8 |
| Durable | 2.5 | 12.9 | 10.2 | 1.5 | -1.6 | -4.0 |
| Nondurable | 1.3 | 11.5 | 10.0 | 0.2 | 0.5 | -0.9 |

Compensation and costs

Hourly compensation, which includes wages, salaries, employer contributions to employee benefit plans, and employment taxes, increased 11.2 percent in nonfinancial corporations in the first quarter of 1981, compared with a 9.2 percent rise during the fourth quarter of 1980 (seasonally adjusted annual rates). The first quarter increase in hourly compensation partly reflects the impact of mandated increases in social security contributions and the increase in minimum wages.

Real hourly compensation--which takes account of the increase in the Consumer Price Index for All Urban Consumers (CPI-U)--declined 0.2 percent in the first quarter of 1981, compared with a 3.2 percent annual rate of decline during the fourth quarter of 1980. Since 1978, real hourly compensation has increased only during 3 quarters and, in the first quarter of 1981, was at the lowest level since the fourth quarter of 1974.

Unit labor costs--compensation per unit of output--is influenced by changes in productivity and hourly compensation. In the first quarter of 1981, unit labor costs rose 5.3 percent, compared with a 9.4 percent increase during the fourth quarter of 1980.

Unit profits increased at a 66.9 percent annual rate in the first quarter, the third consecutive quarter of rising unit profits. During the fourth quarter of 1980, unit profits rose 15.7 percent (annual rate).

The implicit price deflator, which reflects changes in unit labor costs, unit nonlabor payments, and unit profits, increased 10.7 percent during the first quarter of 1981, compared with a 9.9 percent rise during the fourth quarter of 1980. The implicit price deflator--and its components--are shown in table B from 1976 forward.

Compared with the first quarter of 1980, productivity in the nonfinancial corporate sector increased 2.9 percent, as output increased 2.4 percent and hours of all employees declined 0.5 percent. Hourly compensation increased 10.7 percent--but fell 0.5 percent after adjusting for the increase in the CPI-U. Unit labor cost rose 7.6 percent, unit profits increased 10.0 percent, and the implicit price deflator rose 9.7 percent.

Table B.
Indexes of prices, costs and profits
Nonfinancial corporations
(1977=100)

| Measure | 1976 | 1977 | 1978 | 1979 | 1980 | 1979 | | 1980 | | | | 1981 |
|-------------------------|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | | | | | | III | IV | I | II | III | IV | I |
| Implicit price deflator | 95.0 | 100.0 | 106.4 | 114.8 | 125.2 | 115.9 | 118.1 | 121.0 | 124.1 | 126.4 | 129.5 | 132.8 |
| Total unit cost | 95.5 | 100.0 | 106.8 | 116.8 | 129.7 | 118.2 | 121.3 | 124.2 | 129.2 | 131.1 | 134.1 | 136.3 |
| Unit labor cost | 95.0 | 100.0 | 107.8 | 118.2 | 129.4 | 119.5 | 122.8 | 125.4 | 129.1 | 130.2 | 133.1 | 134.9 |
| Unit nonlabor cost | 97.0 | 100.0 | 104.1 | 112.7 | 130.2 | 114.6 | 117.2 | 120.9 | 129.3 | 133.8 | 136.9 | 140.2 |
| Unit profits | 91.0 | 100.0 | 103.0 | 99.0 | 90.2 | 97.5 | 92.2 | 95.5 | 83.4 | 89.1 | 92.4 | 105.1 |

Revised measures

Revised first-quarter productivity and cost measures for the private business, nonfarm business, and manufacturing sectors were also reported today. The revised series incorporate the most recent measures of output and hours for these sectors and show larger gains in productivity than had been reported on April 27, based on preliminary information. The larger productivity gains stem from upward revisions in the rate of growth of output, coupled with small reductions in the rate of growth of hours of all persons. In the private business sector, for example, the previously reported productivity increase of 3.9 percent in the first quarter has been revised to show a 4.3 percent gain. The revision in manufacturing output reflects the revised index of industrial production prepared by the Board of Governors of the Federal Reserve. Table C compares the preliminary and revised measures.

Table C. Preliminary and revised first quarter measures of productivity and cost
Quarterly change at annual rate.
(Seasonally adjusted)

| Measure | Private business sector | | Nonfarm business sector | | Manufacturing | |
|-----------------------------------|-------------------------|---------|-------------------------|---------|---------------|---------|
| | Preliminary | Revised | Preliminary | Revised | Preliminary | Revised |
| Output per hour of all persons | 3.9 | 4.3 | 3.6 | 4.0 | 1.6 | 3.1 |
| Compensation per hour | 11.5 | 11.7 | 11.3 | 11.4 | 10.6 | 10.9 |
| Unit labor cost | 7.4 | 7.1 | 7.5 | 7.2 | 8.8 | 7.5 |
| Real compensation per hour | 0.1 | 0.2 | -0.1 | 0.0 | -0.8 | -0.5 |
| Output | 7.2 | 7.5 | 7.3 | 7.6 | 6.1 | 7.5 |
| Hours | 3.2 | 3.1 | 3.6 | 3.5 | 4.4 | 4.2 |

News

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Bureau of Labor Statistics

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Thursday, July 30, 1981

PRODUCTIVITY AND COSTS

Private Business, Nonfarm Business, and Manufacturing Sectors
Second Quarter 1981

Productivity in the private business sector increased at a 1.1 percent annual rate during the second quarter of 1981, the Bureau of Labor Statistics of the U.S. Department of Labor reported today. The productivity increase was slower than the advance during the first quarter, and resulted from declines in output and hours. Output dropped 2.6 percent, and hours declined 3.7 percent. During the first quarter, productivity increased 4.6 percent as output rose 7.9 percent and hours increased 3.1 percent (annual rates).

In the nonfarm business sector, productivity declined 0.9 percent, as output dropped 3.5 percent and hours slipped 2.6 percent (annual rates). During the first quarter productivity rose 4.3 percent in this sector, as output and hours increased 7.9 percent and 3.5 percent, respectively.

The productivity and cost measures contained in this release are based on the latest measures of employment and average weekly hours compiled by the Bureau of Labor Statistics and are consistent with the March 1980 benchmark released July 2, 1981. Small changes resulted from the incorporation of this new information. Measures prior to the second quarter of 1979 were not affected. See appendix tables 1-6.

Although the productivity measures relate output to the hours of all persons engaged in each sector, they do not measure the specific contributions of labor, capital, or any other single factor of production. Rather, they reflect the joint effects of many influences, including new technology, capital investment, the level of output, capacity utilization, energy use, and managerial skills, as well as the skills and efforts of the work force.

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Table A. Productivity and costs: percent change at annual rate
(Seasonally adjusted)

| Sector | Productivity | Hourly compensation | Unit labor cost | Real hourly compensation | Output | Hours |
|---------------------------|--|---------------------|-----------------|--------------------------|--------|-------|
| | First quarter 1981 to second quarter 1981 <u>PRELIMINARY</u> | | | | | |
| Private business | 1.1 | 10.3 | 9.2 | 3.1 | -2.6 | -3.7 |
| Nonfarm business | -0.9 | 9.6 | 10.6 | 2.4 | -3.5 | -2.6 |
| Manufacturing | 4.2 | 10.4 | 6.0 | 3.2 | 3.2 | -1.0 |
| Durable | 5.2 | 10.3 | 4.9 | 3.1 | 4.4 | -0.7 |
| Nondurable | 2.8 | 10.5 | 7.6 | 3.3 | 1.4 | -1.4 |
| | Fourth quarter 1980 to first quarter 1981 <u>REVISED</u> | | | | | |
| Nonfinancial corporations | 6.3 | 11.4 | 4.8 | 0.0 | 11.5 | 4.8 |
| | Second quarter 1980 to second quarter 1981 <u>PRELIMINARY</u> | | | | | |
| Private business | 1.5 | 10.1 | 8.5 | .3 | 3.2 | 1.7 |
| Nonfarm business | 1.6 | 10.0 | 8.2 | .2 | 3.5 | 1.8 |
| Manufacturing | 4.5 | 11.2 | 6.4 | 1.3 | 6.2 | 1.7 |
| Durable | 4.8 | 11.5 | 6.3 | 1.6 | 7.0 | 2.0 |
| Nondurable | 3.9 | 10.4 | 6.3 | .6 | 5.1 | 1.1 |
| | First quarter 1980 to first quarter 1981 <u>REVISED</u> | | | | | |
| Nonfinancial corporations | 3.1 | 10.8 | 7.4 | -.5 | 2.6 | -.5 |

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In manufacturing, productivity increased at a 4.2 percent annual rate in the second quarter, as output increased 3.2 percent while hours of all persons engaged in manufacturing declined 1.0 percent. During the first quarter of 1981, productivity increased 3.2 percent as output rose 7.3 percent and hours increased 4.0 percent.

A summary of second-quarter changes, as well as revised first-quarter productivity and cost measure for nonfinancial corporations also reported today, appears in table A; details appear in tables 1-6.

Private business sector

The productivity advance in the private business sector slowed compared with the gains during the first quarter as output and hours both declined. The 1.1 percent productivity increase in the second quarter reflected declines in output and hours of 2.6 percent and 3.7 percent, respectively (annual rates). Farm productivity gains during the second quarter contributed to the increase. The decline in private business output was the first since the 11.5 percent drop during the second quarter of 1980, and the reduction in hours was the first since the 0.2 percent decline during the third quarter of 1980. The decline in hours during the second quarter was reflected in the decrease in both employment and average weekly hours. Although productivity increased during both the first and second quarters, the underlying movements in output and hours were in opposite directions.

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Hourly compensation, which includes employer outlays for wages and salaries as well as payments for social security and other employee benefits, increased 10.3 percent during the second quarter, somewhat slower than the 11.8 percent increase during the first quarter. After allowing for the increase in the Consumer Price Index for All Urban Consumers (CPI-U), real hourly compensation grew 3.1 percent during the second quarter. One quarter earlier, real hourly compensation increased 0.4 percent; the second-quarter increase was the largest since the 5.1 percent gain during the second quarter of 1976 (annual rates) and partly reflects slower growth in the CPI-U.

Unit labor costs--which show the effect of changes in hourly compensation and productivity--increased 9.2 percent in the second quarter, compared with a 6.9 percent gain during the first quarter. Unit labor costs--compensation per unit of output--grew more rapidly during the second quarter in spite of the slowing of hourly compensation because of the larger reduction in productivity growth in this sector.

The implicit price deflator--which measures price change in a sector and reflects changes in unit labor costs and unit nonlabor costs combined--increased 5.9 percent in the second quarter, compared with a 10.0 percent increase during the first quarter. This was smallest price rise in this sector since the 5.8 percent increase during the first quarter of 1978.

Compared with the second quarter of 1980, productivity increased 1.5 percent, as output rose 3.2 percent and hours went up 1.7 percent. Hourly compensation gained 10.1 percent (0.3 percent after allowing for the rise in the CPI-U), and unit labor costs rose 8.5 percent. The implicit price deflator showed an 8.9 percent increase over the 4-quarter period.

Nonfarm business sector

Productivity declined in the nonfarm business sector by 0.9 percent during the second quarter of 1981, as output fell 3.5 percent and hours declined 2.6 percent. This was the first decline in nonfarm output since the 12.1 percent fall during the second quarter of last year, and the first drop in hours since the 0.7 percent falloff during the third quarter of 1980. During the first quarter, productivity increased 4.3 percent as output went up 7.9 percent and hours increased 3.5 percent (annual rates).

Hourly compensation increased 9.6 percent in the second quarter of 1981; compared with an 11.6 percent increase from the fourth quarter of 1980 to the first quarter of 1981. After adjusting for the rise in the CPI-U, real hourly compensation rose 2.4 percent in the second quarter, the largest gain since the 2.9 percent increase during the first quarter of 1978. Unit labor cost rose 10.6 percent in the second quarter, compared with a 7.0 percent rise during the first quarter. The implicit price deflator rose 6.0 percent in the second quarter, compared with an 11.0 percent annual rate of increase during the first quarter. This was the smallest quarterly rate of increase in this series since the 5.6 percent rise during the first quarter of 1978.

Compared with the second quarter of 1980, productivity increased 1.6 percent, output rose 3.5 percent, and hours increased 1.8 percent. Hourly compensation went up 10.0 percent (0.2 percent when the rise in the CPI-U is taken into account), and unit labor costs increased 8.2 percent. The implicit price deflator was 8.8 percent higher than a year earlier.

Manufacturing

Productivity increased 4.2 percent in the second quarter of 1980 in manufacturing, reflecting a 3.2 percent gain in output and a 1.0 percent decline in hours (seasonally adjusted annual rates). Productivity--and output growth--were more rapid among durable goods producers than among nondurable goods producers during the second quarter. During the first quarter of 1981, manufacturing productivity rose 3.2 percent.

Hourly compensation increased 10.4 percent during the second quarter, compared with an 11.1 percent rise one quarter earlier. After allowing for the rise in the CPI-U, real hourly compensation rose 3.2 percent, compared with a 0.3 percent decrease during the first quarter.

Revised measures

Revised first-quarter productivity and cost measures were also reported today for the nonfinancial corporate sector. Productivity increased 6.3 percent in the first quarter, as output increased 11.5 percent and employee-hours increased 4.8 percent. Hourly compensation increased 11.4 percent, and unit labor costs increased 4.8 percent. A comparison of these revised measures with preliminary series published May 27 is presented in table B.

Appendix tables 1-6 contain 1979 data affected by the revised labor input measures. As noted above, this new benchmark to the BLS establishment survey data affects productivity and cost measures beginning with the second quarter. Together with tables 1-6, this release contains all the changes introduced by the new labor input information.

In manufacturing, new estimates of output prepared by the Bureau of Economic Analysis of the U.S. Department of Commerce resulted in small changes in published measures beginning in 1979.

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Table B.

Nonfinancial corporations: preliminary and revised first quarter measures of productivity and costs, quarterly change at seasonally adjusted annual rate.

Percent

| Measure | Preliminary | Revised |
|--------------------------|-------------|---------|
| Productivity | 5.6 | 6.3 |
| Output | 10.8 | 11.5 |
| Hours | 4.9 | 4.8 |
| Hourly compensation | 11.2 | 11.4 |
| Real hourly compensation | -.2 | 0.0 |
| Unit labor costs | 5.3 | 4.8 |
| Unit profits | 66.9 | 77.9 |
| Implicit price deflator | 10.7 | 10.4 |

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PRODUCTIVITY AND COSTS

Nonfinancial Corporate Sector
Second Quarter 1981

Productivity in nonfinancial corporations increased at a 0.9 percent annual rate in the second quarter of 1981, the Bureau of Labor Statistics of the U.S. Department of Labor reported today. The increase reflected a 1.3 percent decline in output and a 2.2 percent decrease in hours of all employees. In the first quarter of 1981, productivity rose 6.3 percent in this sector, reflecting gains in output and hours of 11.5 percent and 4.8 percent, respectively, at seasonally adjusted annual rates. This sector includes all corporations doing business in the United States with the exception of banks, stock and commodity brokers, and finance and insurance companies.

Revised second-quarter measures were also reported today for the private business, nonfarm business, and manufacturing sectors. The latest measures show productivity increased 2.8 percent in the private business sector, 0.7 percent in the nonfarm business sector, and 4.3 in manufacturing. Preliminary measures reported July 30 showed changes of 1.1 percent, -0.9 percent, and 4.2 percent, respectively.

A summary of second-quarter measures appears in table A; details are given in tables 1-6.

Although the productivity measures relate output to the hours of all persons engaged in each sector, they do not measure the specific contributions of labor, capital, or any other single factor or production. Rather, they reflect the joint effects of many influences, including new technology, capital investment, the level of output, capacity utilization, energy use, and managerial skill, as well as the skills and efforts of the work force.

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Table A. Productivity and costs: percent change at annual rate (Seasonally adjusted)

| Sector | Productivity | Hourly compensation | Unit labor cost | Real hourly compensation | Output | Hours |
|---|--------------|---------------------|-----------------|--------------------------|--------|-------|
| | | | | | | |
| <u>PRELIMINARY</u> | | | | | | |
| Nonfinancial corporations | 0.9 | 9.2 | 8.3 | 2.1 | -1.3 | -2.2 |
| <u>REVISED</u> | | | | | | |
| Private business | 2.8 | 10.4 | 7.3 | 3.1 | -0.9 | -3.7 |
| Nonfarm business | 0.7 | 9.6 | 8.8 | 2.4 | -1.9 | -2.6 |
| Manufacturing | 4.3 | 10.6 | 6.0 | 3.4 | 3.5 | -0.8 |
| Durable | 5.7 | 10.6 | 4.6 | 3.3 | 5.2 | -0.5 |
| Nondurable | 2.4 | 10.6 | 8.0 | 3.4 | 1.1 | -1.2 |
| <u>Second Quarter 1980 to Second Quarter 1981</u> | | | | | | |
| <u>PRELIMINARY</u> | | | | | | |
| Nonfinancial corporations | 3.4 | 10.1 | 6.4 | 0.3 | 5.3 | 1.7 |
| <u>REVISED</u> | | | | | | |
| Private business | 1.9 | 10.1 | 8.0 | 0.3 | 3.7 | 1.7 |
| Nonfarm business | 2.1 | 10.0 | 7.8 | 0.2 | 3.9 | 1.8 |
| Manufacturing | 4.5 | 11.2 | 6.4 | 1.3 | 6.3 | 1.7 |
| Durable | 5.0 | 11.6 | 6.3 | 1.7 | 7.2 | 2.1 |
| Nondurable | 3.8 | 10.5 | 6.4 | 0.6 | 5.0 | 1.2 |

Compensation and costs

Hourly compensation, which includes wages, salaries, supplements, employer contributions to employee benefit plans, and employment taxes, increased at a 9.2 percent annual rate in nonfinancial corporations in the second quarter of 1981. During the first quarter, hourly compensation rose 11.4 percent. Real hourly compensation--which is adjusted for changes in the Consumer Price Index for All Urban Consumers (CPI-U)--increased 2.1 percent in the second quarter. There was no change in this series during the first quarter.

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Unit labor cost, which is influenced by changes in hourly compensation and productivity, increased 8.3 percent in the second quarter, compared with a 4.8 percent rise during the first quarter.

Unit profits declined at a 19.4 percent annual rate in the second quarter, compared with a 77.9 percent gain during the first quarter. This marked the first decline in unit profits since the second quarter of 1980, when a 41.9 percent drop occurred.

The implicit price deflator, which shows the effects of changes in unit labor cost, unit nonlabor cost, and unit profits, increased 7.1 percent. This was the smallest quarterly gain in the deflator since the 5.0 percent gain in the first quarter of 1978.

Compared with the second quarter of 1980, productivity increased 3.4 percent, as output rose 5.3 percent and hours increased 1.7 percent. Hourly compensation increased 10.1 percent, real hourly compensation rose 0.3 percent, and unit profit increased 21.3 percent.

Revised measures

Revised second-quarter productivity and cost measures for the private business, nonfarm business, and manufacturing sectors were also released today for the second quarter of 1981. Incorporating the most recent measures of output and hours, these new measures show higher productivity gains than had been reported earlier, based on preliminary data. As can be seen in table B, the revisions stem mainly from changes in the output measures. Second-quarter gross national product was revised downward by the Bureau of Economic Analysis of the U.S. Department of Commerce on August 19. However, output measures for the business sectors were revised upward, reflecting the changes in the underlying component series which comprise business sector output measures.

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Table B.
Preliminary and revised second quarter 1981 measures of productivity and cost:
quarterly change at annual rate
(Seasonally adjusted)

| Measure | Private business sector | | Nonfarm business sector | | Manufacturing | |
|--------------------------------|-------------------------|---------|-------------------------|---------|---------------|---------|
| | Preliminary | Revised | Preliminary | Revised | Preliminary | Revised |
| Output per hour of all persons | 1.1 | 2.8 | -0.9 | 0.7 | 4.2 | 4.3 |
| Compensation per hour | 10.3 | 10.4 | 9.6 | 9.6 | 10.4 | 10.6 |
| Unit labor cost | 9.2 | 7.3 | 10.6 | 8.8 | 6.0 | 6.0 |
| Real compensation per hour | 3.1 | 3.1 | 2.4 | 2.4 | 3.2 | 3.4 |
| Output | -2.6 | -0.9 | -3.5 | -1.9 | 3.2 | 3.5 |
| Hours | -3.7 | -3.7 | -2.6 | -2.6 | -1.0 | -0.8 |

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For Release 10:00 AM EST
Thursday, October 29, 1981**PRODUCTIVITY AND COSTS**Private Business, Nonfarm Business, and Manufacturing Sectors
Third Quarter 1981

Productivity in the private business sector declined 1.9 percent at a seasonally adjusted annual rate in the third quarter of 1981, according to preliminary measures reported today by the Bureau of Labor Statistics of the U.S. Department of Labor. This was the first falloff in productivity in this sector since the 1.1 percent decline during the fourth quarter of 1980, and the largest decrease since the 2.3 percent drop during the first quarter of 1978. The decline during the third quarter of 1981 followed a 3.5 percent increase during the second quarter. In the third quarter, output fell 1.2 percent, and hours of all persons engaged in the sector increased 0.7 percent (seasonally adjusted annual rates).

In the nonfarm business sector, productivity declined 2.2 percent in the third quarter, as output declined 1.9 percent and hours edged up 0.3 percent. One quarter earlier, productivity gained 1.4 percent, as output fell 1.1 percent and hours dropped 2.5 percent (seasonally adjusted annual rates).

NOTE: The productivity and cost measures for manufacturing contained in this press release are based on the latest industrial production data compiled by the Federal Reserve Board (FRB) and are consistent with the revised seasonal factors released by the FRB on October 16, 1981. Data prior to the fourth quarter of 1978 were not affected. See appendix tables 1-3.

Although the productivity measures relate output to the hours of all persons engaged in each sector, they do not measure the specific contributions of labor, capital, or any other single factor or production. Rather, they reflect the joint effects of many influences, including new technology, capital investment, the level of output, capacity utilization, energy use, and managerial skill, as well as the skills and efforts of the work force.

Table A. Productivity and costs: percent change at annual rate
(Seasonally adjusted)

| Sector | Productivity | Hourly compensation | Unit labor cost | Real hourly compensation | Output | Hours |
|--|--------------|---------------------|-----------------|--------------------------|--------|-------|
| PRELIMINARY | | | | | | |
| Second Quarter 1981 to third quarter 1981 | | | | | | |
| Private business | -1.9 | 9.3 | 11.4 | -2.4 | -1.2 | 0.7 |
| Nonfarm business | -2.2 | 9.4 | 11.9 | -2.2 | -1.9 | 0.3 |
| Manufacturing | 1.4 | 10.0 | 8.4 | -1.7 | 0.2 | -1.3 |
| Durable | 1.1 | 10.5 | 9.2 | -1.3 | -0.7 | -1.8 |
| Nondurable | 1.9 | 9.3 | 7.2 | -2.4 | 1.5 | -0.4 |
| REVISED | | | | | | |
| First quarter 1981 to second quarter 1981 | | | | | | |
| Nonfinancial corporations | 2.2 | 9.3 | 7.0 | 2.1 | 0.1 | -2.0 |
| PRELIMINARY | | | | | | |
| Third quarter 1980 to third quarter 1981 | | | | | | |
| Private business | 1.3 | 10.0 | 8.6 | -0.7 | 3.3 | 2.0 |
| Nonfarm business | 0.8 | 10.1 | 9.3 | -0.6 | 2.9 | 2.1 |
| Manufacturing | 4.8 | 10.6 | 5.5 | -0.2 | 8.1 | 3.1 |
| Durable | 5.7 | 10.9 | 4.9 | 0.1 | 9.7 | 3.7 |
| Nondurable | 3.4 | 9.8 | 6.2 | -0.9 | 5.7 | 2.2 |
| REVISED | | | | | | |
| Second quarter 1980 to second quarter 1981 | | | | | | |
| Nonfinancial corporations | 3.8 | 10.1 | 6.1 | 0.3 | 5.6 | 1.8 |

In manufacturing, productivity increased 1.4 percent in the third quarter, as output increased 0.2 percent and hours of all persons declined 1.3 percent (annual rates). During the second quarter productivity increased 4.1 percent in this sector, as output increased 3.3 percent and hours declined 0.7 percent.

A summary of third-quarter changes in productivity and costs appears in table A; details are found in tables 1-6.

Private business sector

The 1.9 percent productivity decline in the third quarter of 1981 came after 2 quarters of growth in the measure. The 4.6 percent and 3.5 percent advances in the first and second quarters of the year were the strongest gain since 1977. Although output declined 1.2 percent in the third quarter of 1981, hours increased slightly, reflecting employment growth and with some drop in average weekly hours.

Hourly compensation increased 9.3 percent in the third quarter, compared with a 10.4 percent increase during the second quarter. Hourly compensation includes wages and salaries, supplements, employer contributions to employee benefit plans and taxes, and all other fringe benefits. Unit labor cost, which reflects both changes in hourly compensation and productivity, increased 11.4 percent in the third quarter, compared with a 6.6 percent increase during the preceding period. This was the largest quarterly increase in unit labor costs since the 14.4 percent gain during the second quarter of 1980.

Real hourly compensation--hourly compensation adjusted for changes in the Consumer Price Index for All Urban Consumers (CPI-U)--decreased 2.4 percent in the third quarter (annual rate), the first decline this year.

The implicit price deflator, which shows the effects of changes in unit labor costs and unit nonlabor payments combined, increased 9.9 percent in the third quarter, compared with a 6.2 percent gain during the second quarter.

Compared with the third quarter of 1980, productivity increased 1.3 percent, as output rose 3.3 percent and hours increased 2.0 percent. Hourly compensation rose 10.0 percent and unit labor costs increased 8.6 percent. Real hourly compensation declined 0.7 percent over the 12 month period, and the implicit price deflator rose 9.0 percent.

Nonfarm business sector

Productivity in the nonfarm business sector declined 2.2 percent in the third quarter of 1981, as output declined 1.9 percent and hours increased 0.3 percent (annual rates). This was the first decline in productivity since the 0.2 percent fall during the fourth quarter of 1980, and the largest drop since the 2.9 percent decline during the second quarter of 1980.

Hourly compensation increased 9.4 percent in the third quarter, down slightly from the 9.6 percent increase during the second quarter. Unit labor costs rose 11.9 percent, the largest increase in this series since the 14.6 percent jump in the second quarter of 1980. During the second quarter of 1981, unit labor costs rose 8.1 percent.

Real hourly compensation declined at a 2.2 percent annual rate, compared with a 2.4 percent gain during the second quarter. This was the first decline in real hourly compensation since the 2.7 percent decline in the fourth quarter of 1980.

Compared with the third quarter of 1980, productivity in the nonfarm business sector increased 0.8 percent as output rose 2.9 percent and hours increased 2.1 percent. Hourly compensation increased 10.1 percent and unit labor costs increased 9.3 percent. Real hourly compensation was 0.6 percent lower than it had been 12 months earlier, and the implicit price deflator went up 9.6 percent.

Manufacturing

Productivity in the manufacturing sector increased 1.4 percent during the third quarter of 1981, compared with a 4.1 percent gain during the second quarter. The third quarter advance reflected a 0.2 percent increase in output coupled with a 1.3 percent decline in hours. Although manufacturing employment grew in the third quarter, the shortening of the average work week more than offset the employment growth.

Hourly compensation increased 10.0 percent in the third quarter, compared with a 10.8 percent rise during the second quarter. Unit labor costs rose 8.4 percent, and real hourly compensation fell 1.7 percent (annual rates).

Compared with the third quarter of 1980, manufacturing productivity increased 4.8 percent, as output grew 8.1 percent and hours of all persons increased 3.1 percent. Hourly compensation rose 10.6 percent and unit labor costs went up 5.5 percent.

Nonfinancial corporations

The Bureau of Labor Statistics also reported revised second quarter productivity and cost measures for the nonfinancial corporate sector today. This sector, which includes all corporations doing business in the United States with the exception of banks, stock and commodity brokers, finance and credit agencies, and insurance carriers, showed a 2.2 percent increase in productivity during the second quarter as output increased 0.1 percent and hours declined 2.0 percent. Previously, productivity was reported to have increased 0.9 percent, as output fell 1.3 percent and hours dropped 2.2 percent, based on preliminary results. Table B compares the preliminary and revised measures.

Table B.
 Nonfinancial corporations: preliminary and revised
 second quarter measures of productivity and costs.
 Quarterly change at annual rate.
 (Seasonally adjusted)

| Measure | Preliminary | Revised |
|--------------------------|-------------|---------|
| Productivity | 0.9 | 2.2 |
| Output | -1.3 | 0.1 |
| Hours | 2.2 | -2.0 |
| Hourly compensation | 9.2 | 9.3 |
| Real hourly compensation | 2.1 | 2.1 |
| Unit labor costs | 8.3 | 7.0 |
| Unit profits | -19.4 | -13.9 |
| Implicit price deflator | 7.1 | 6.2 |

Revised data

The productivity and cost measures for the manufacturing sector contained in this release are based on revisions to the index of industrial production published by the Board of Governors of the Federal Reserve. The revised measures are shown in tables 4-6 and appendix tables 1-3, covering the period from the fourth quarter of 1978 forward. This release contains all the quarters affected by this revision.

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PRODUCTIVITY AND COSTS

Nonfinancial Corporate Sector
Third Quarter 1981

Productivity in nonfinancial corporations declined 0.6 percent in the third quarter of 1981 at a seasonally adjusted annual rate, the Bureau of Labor Statistics of the U.S. Department of Labor reported today. The decline, reflecting a 0.2 percent drop in output and a 0.4 percent increase in hours of all employees, followed 4 consecutive quarters of productivity increases. The last quarterly productivity decline in this sector was 0.5 percent in the second quarter of 1980. During the first 2 quarters of 1981, productivity advanced 6.3 percent and 2.2 percent, respectively. The nonfinancial corporate sector includes all corporations doing business in the United States with the exception of banks, stock and commodity brokers, and finance and insurance companies, and accounts for about two-thirds of the private business sector.

BLS also reported revised third-quarter productivity in the private business, nonfarm business, and manufacturing sectors. The productivity declines in the business sectors are smaller in the revised measures, mainly because of changes in the output series. In manufacturing, the revised measures show slower productivity gains than had been reported on October 29, based on preliminary information. A summary of third-quarter productivity and cost measures appears in table A; details are found in tables 1-6.

Although the productivity measures relate output to the hours of all persons engaged in each sector, they do not measure the specific contributions of labor, capital, or any other single factor of production. Rather, they reflect the joint effects of many influences, including new technology, capital investment, the level of output, capacity utilization, energy use, and managerial skill, as well as the skills and efforts of the work force.

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Table A. Productivity and costs: percent change at annual rate
(Seasonally adjusted)

| Sector | Productivity | Hourly compensation | Unit labor cost | Real hourly compensation | Output | Hours |
|---|--------------|---------------------|-----------------|--------------------------|--------|-------|
| <u>PRELIMINARY</u> | | | | | | |
| Second quarter 1981 to third quarter 1981 | | | | | | |
| Nonfinancial corporations | -0.6 | 9.0 | 9.6 | -2.6 | -0.2 | 0.4 |
| <u>REVISED</u> | | | | | | |
| Private business | -1.0 | 9.2 | 10.3 | -2.4 | -0.3 | 0.8 |
| Nonfarm business | -1.6 | 9.3 | 11.1 | -2.3 | -1.3 | 0.3 |
| Manufacturing | 1.3 | 9.0 | 7.6 | -2.7 | 0.0 | -1.3 |
| Durable | 0.5 | 9.1 | 8.6 | -2.5 | -1.3 | -1.8 |
| Nondurable | 2.4 | 8.7 | 6.2 | -2.8 | 2.0 | -0.4 |
| <u>PRELIMINARY</u> | | | | | | |
| Third quarter 1980 to third quarter 1981 | | | | | | |
| Nonfinancial corporations | 1.9 | 9.8 | 7.7 | -0.9 | 4.7 | 2.7 |
| <u>REVISED</u> | | | | | | |
| Private business | 1.5 | 10.0 | 8.4 | -0.7 | 3.5 | 2.0 |
| Nonfarm business | 0.9 | 10.1 | 9.1 | -0.6 | 3.1 | 2.1 |
| Manufacturing | 4.7 | 10.3 | 5.3 | -0.4 | 8.0 | 3.1 |
| Durable | 5.6 | 10.6 | 4.7 | -0.2 | 9.5 | 3.8 |
| Nondurable | 3.6 | 9.7 | 5.9 | -1.0 | 5.8 | 2.2 |

Compensation and costs

Hourly compensation, which includes wages and salaries, supplements to pay, employer contributions to employee benefit plans and taxes, and all other fringe benefits, increased at a 9.0 percent annual rate in the third quarter of 1981 (seasonally adjusted). One quarter earlier, compensation increased 9.3 percent. Real hourly compensation--which is adjusted for changes in the Consumer Price Index for All Urban Consumers (CPI-U)--declined 2.6 percent in the third quarter of 1981. This was the first decline in the series since the 3.1 percent drop in the fourth quarter of 1980.

Unit labor cost, which is influenced by changes in hourly compensation and productivity, increased 9.6 percent, the largest gain in unit labor cost since the 12.6 percent increase during the second quarter of 1980. During the preceding quarter of this year, unit labor cost rose 7.0 percent.

Unit profit rose 8.9 percent (seasonally adjusted annual rate) during the third quarter. During the first 2 quarters, unit profit increased 77.9 percent and fell 13.9 percent, respectively.

The implicit price deflator, which shows the effects of changes in unit labor cost, unit nonlabor cost, and unit profit, increased at a 10.2 percent annual rate, compared with increases of 10.4 percent and 6.2 percent, respectively, in the first 2 quarters of 1981.

Compared with the third quarter of last year, productivity increased 1.9 percent, output rose 4.7 percent, and hours of all employees increased 2.7 percent. Hourly compensation increased 9.8 percent--but fell 0.9 percent after allowing for the increase in the CPI-U. Unit labor cost increased 7.7 percent over the 12-month period, and unit profit increased 17.9 percent.

Revised measures

In the private business sector, productivity declined 1.0 percent and, in the nonfarm business sector, the decline was 1.6 percent, while, in manufacturing, productivity increased 1.3 percent (seasonally adjusted annual rates). These movements had been reported on October 29 as -1.9 percent, -2.2 percent, and 1.4 percent, respectively, based on preliminary information. The revisions in the productivity measure stem mainly from changes in the output estimates; hours revisions were smaller. See table B.

Table B.
Preliminary and revised third quarter measures of productivity and costs
Quarterly change at annual rate.
(Seasonally adjusted)

| Measure | Private business sector | | Nonfarm business sector | | Manufacturing | |
|-------------------------------|-------------------------|---------|-------------------------|---------|---------------|---------|
| | Preliminary | Revised | Preliminary | Revised | Preliminary | Revised |
| Output per hour of all person | -1.9 | -1.0 | -2.2 | -1.6 | 1.4 | 1.3 |
| Compensation per hour | 9.3 | 9.2 | 9.4 | 9.3 | 10.0 | 9.0 |
| Unit labor cost | 11.4 | 10.3 | 11.9 | 11.1 | 8.4 | 7.6 |
| Real compensation per hour | -2.4 | -2.4 | -2.2 | -2.3 | -1.7 | -2.7 |
| Output | -1.2 | -0.3 | -1.9 | -1.3 | 0.2 | 0.0 |
| Hours | 0.7 | 0.8 | 0.3 | 0.3 | -1.3 | -1.3 |

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For Release 2:00 PM EST
Thursday, January 28, 1982**PRODUCTIVITY AND COSTS**Private Business, Nonfarm Business, and Manufacturing Sectors
Fourth Quarter 1981
and Annual Averages for 1981

Productivity in the private business sector declined 7.2 percent at a seasonally adjusted annual rate in the fourth quarter of 1981, the Bureau of Labor Statistics of the U.S. Department of Labor reported today. The decline reflected a 7.5 percent drop in output and a 0.2 percent decline in hours of all persons engaged in the sector. The decline in productivity was the largest in any quarter in the series (which begins with data for 1947), and the decline in output was the largest since the 11.5 percent drop in the second quarter of 1980.

Comparing the average for 1981 with the average for 1980, productivity rose 1.0 percent, the first year-to-year increase since 1977. See page 4 for annual changes based on comparison of averages of the 4 quarters in each year.

In the nonfarm business sector, labor productivity decreased 7.6 percent in the fourth quarter (seasonally adjusted annual rate), as output fell 8.4 percent and hours declined 0.9 percent. The nonfarm productivity decline during the fourth quarter was the largest in the series (which goes back to 1947) and the decline in output was the largest since the 12.1 percent drop during the second quarter of 1980. During the third quarter of 1981, productivity declined 1.8 percent.

In the manufacturing sector, productivity declined 11.3 percent in the fourth quarter of 1981 as output dropped 18.5 percent and hours fell 8.2 percent (annual rates). This was the steepest decline in manufacturing productivity since the 12.3 percent drop in the third quarter of 1959, and the decline in output was the largest since the 21.6 percent decline during the second quarter of 1980. During the third quarter of 1981, manufacturing productivity increased 1.2 percent.

Fourth-quarter and annual measures are summarized in table A; details are given in tables 1-6. Revised third-quarter measures for nonfinancial corporations were also released today (tables A and 3).

Note: Small changes in the hours series for the private business, nonfarm business, and manufacturing sectors beginning in 1979 are incorporated in this press release. These changes result from the scheduled inclusion of the latest information on average weekly hours. The changes typically caused revisions of 0.1 percent or less in the annual rates.

Although the productivity measures relate output to the hours of all persons engaged in each sector, they do not measure the specific contributions of labor, capital, or any other single factor of production. Rather, they reflect the joint effects of many influences, including new technology, capital investment, the level of output, capacity utilization, energy use, and managerial skill, as well as the skills and efforts of the work force.

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Table A. Productivity and costs: percent change at annual rate
(Seasonally adjusted)

| Sector | Productivity | Hourly compensation | Unit labor cost | Real hourly compensation | Output | Hours |
|--|--------------|---------------------|-----------------|--------------------------|--------|-------|
| PRELIMINARY | | | | | | |
| Third quarter 1981 to fourth quarter 1981 | | | | | | |
| Private business | -7.2 | 5.7 | 14.0 | -1.9 | -7.5 | -0.2 |
| Nonfarm business | -7.6 | 6.5 | 15.2 | -1.2 | -8.4 | -0.9 |
| Manufacturing | -11.3 | 7.5 | 21.1 | -0.3 | -18.5 | -8.2 |
| Durable | -12.2 | 7.8 | 22.8 | 0.0 | -21.1 | -10.2 |
| Nondurable | -10.0 | 7.5 | 19.4 | -0.3 | -14.7 | -5.1 |
| 1980 to 1981 annual averages | | | | | | |
| Private business | 1.0 | 10.0 | 8.9 | -0.3 | 1.9 | 0.9 |
| Nonfarm business | 0.9 | 10.1 | 9.1 | -0.3 | 1.8 | 0.9 |
| Manufacturing | 2.7 | 11.1 | 8.2 | 0.7 | 2.5 | -0.1 |
| Durable | 3.2 | 11.5 | 8.1 | 1.0 | 2.8 | -0.4 |
| Nondurable | 1.9 | 10.5 | 8.4 | 0.1 | 2.2 | 0.3 |
| Revised | | | | | | |
| Second quarter 1981 to third quarter 1981 | | | | | | |
| Nonfinancial corporations | -0.5 | 9.2 | 9.7 | -2.5 | -0.1 | 0.4 |
| PRELIMINARY | | | | | | |
| Fourth quarter 1980 to fourth quarter 1981 | | | | | | |
| Private business | -0.1 | 9.3 | 9.5 | -0.2 | -0.2 | 0.0 |
| Nonfarm business | -1.0 | 9.3 | 10.4 | -0.2 | -0.9 | 0.1 |
| Manufacturing | -0.8 | 9.8 | 10.6 | 0.2 | -2.5 | -1.7 |
| Durable | -0.5 | 10.0 | 10.6 | 0.4 | -2.9 | -2.4 |
| Nondurable | -1.1 | 9.6 | 10.9 | 0.1 | -1.9 | -0.8 |
| REVISED | | | | | | |
| Third quarter 1980 to third quarter 1981 | | | | | | |
| Nonfinancial corporations | 2.0 | 9.8 | 7.7 | -0.9 | 4.7 | 2.7 |

Private business sector

Productivity declined in the second half of 1981 after posting the strongest 2-quarter gains since 1976-77. Output, however, increased only during the first quarter of 1981, and progressively larger declines occurred in the next 3 quarters.

Hours dropped in both the second and fourth quarters, but the second-quarter decrease (-3.6 percent) was more substantial than the fourth-quarter decline (-0.2 percent). Employment grew 1.2 percent during the year, compared with a 0.4 percent increase during 1980.

Hourly compensation, which measures the hourly cost of wages and salaries, supplements, employer contributions to employee-benefit plans, and social security, increased at an annual rate of 5.7 percent in the fourth quarter, the smallest rise since the 4.7 percent increase in the third quarter of 1975. One quarter earlier, hourly compensation increased 9.3 percent. Real hourly compensation, which is adjusted for changes in the Consumer Price Index for All Urban Consumers (CPI-U), declined 1.9 percent in the fourth quarter, compared with a 2.3 percent decline during the third quarter.

Unit labor cost, which reflects changes in productivity and hourly compensation, increased at an annual rate of 14.0 percent in the fourth quarter of 1981, compared with a 10.6 percent increase one quarter earlier. The fourth quarter increase was the largest since the 14.4 percent gain in the second quarter of 1980.

The implicit price deflator, which reflects the impact of unit labor cost and unit nonlabor payments on sector prices, increased 7.5 percent during the fourth quarter of 1981, compared with a 10.4 percent increase one quarter earlier.

Over the 4-quarter span ended with fourth quarter of 1981, productivity declined 0.1 percent, as output fell 0.2 percent and hours showed no change. Hourly compensation rose 9.3 percent, but declined 0.2 percent after allowing for the rise in the CPI-U. Unit labor cost rose 9.5 percent, and the implicit price deflator rose 8.5 percent.

Nonfarm business sector

Productivity declined 7.6 percent in the fourth quarter of 1981 and 1.8 percent in the third quarter. Paralleling the patterns in the private business sector, during the first half of the year productivity increases of 4.4 percent and 1.4 were recorded in this sector. Output grew strongly in the first quarter, but declined in each succeeding quarter. Hours increased in the first and third quarters, but declined during the second and fourth, with the larger drop in the second quarter.

Hourly compensation increased 6.5 percent in the fourth quarter, down from the 9.5 percent annual rate of growth during the third quarter. This was the smallest quarterly increase in hourly compensation since the 6.4 percent gain during the third quarter of 1975. After allowing for the increase in the CPI-U, real hourly compensation declined 1.2 percent in the fourth quarter, compared with a 2.2 percent drop during the third quarter. Unit labor cost rose 15.2 percent in the fourth quarter, the largest increase in this series since the 15.6 percent increase during the second quarter of 1974. One quarter earlier, unit labor cost rose 11.5 percent. The implicit price deflator rose 8.9 percent in the fourth quarter, compared with an 11.4 percent rise during the third quarter.

From the fourth quarter of 1980 to the fourth quarter of 1981, productivity declined 1.0 percent, as output slipped 0.9 percent and hours increased 0.1 percent. Hourly compensation rose 9.3 percent--but fell 0.2 percent after allowing for the rise in the CPI-U, and unit labor cost went up 10.4 percent. The implicit price deflator rose 9.4 percent over the 4-quarter span.

Manufacturing

Productivity fell 11.3 percent in the fourth quarter in manufacturing, the first decline since the 0.1 percent drop during the third quarter of 1980 and the largest decrease since the third quarter of 1959. During the third quarter of 1981, productivity increased 1.2 percent. Output dropped 18.5 percent and hours fell 8.2 percent during the fourth quarter.

Hourly compensation increased at a 7.5 percent annual rate in the fourth quarter of 1981, the slowest increase since the 4.2 percent rise in the third quarter of 1979. During the third quarter of 1981, hourly compensation rose 9.3 percent. After allowing for the increase in the CPI-U, real hourly compensation fell 0.3 percent in the fourth quarter and 2.4 percent during the third. Compared with the fourth quarter of 1980, productivity fell 0.8 percent as output fell 2.5 percent and hours fell 1.7 percent. Hourly compensation rose 9.8 percent, but increased 0.2 percent after allowing for the rise in the CPI-U.

Summary of annual average productivity and cost movements: 1981

Comparing the annual average for 1981 with the annual average for 1980, productivity increased 1.0 percent in the private business sector, after 3 years of continuous declines in this series. Productivity increased 2.1 percent in 1977, but declined 0.2 percent, 0.3 percent, and 0.2 percent in 1978, 1979, and 1980, respectively. Output grew in 1981 by 1.9 percent, and hours increased 0.9 percent. During 1980, these measures fell 0.8 percent and 0.6 percent, respectively. However, the rise in output reflected a 7.9 percent gain recorded in the first quarter; declines occurred during the remainder of the year.

During the 3-year period of productivity decline (1978-1980), productivity fell from an index level of 100 (in 1977) to 99.3 (in 1980). The 1.0 percent gain in private business productivity in 1981 brought the index level to 100.4, recouping all of the decline and bringing average annual productivity to a new high.

Hourly compensation increased 10.0 percent in 1981, compared with a 10.2 percent rise in the preceding year. This was the smallest annual rise in hourly compensation since the 9.4 percent increase during 1978. As is often the case, gains in hourly compensation were smaller in each succeeding quarter of the year during 1981; however, by the fourth quarter of 1981, the increase--at a 5.7 percent annual rate--was the slowest since the third quarter of 1975. Real hourly compensation declined 0.3 percent in 1981, compared with a 2.9 percent drop during 1980. Unit labor cost increased 8.9 percent during 1981, the smallest rise since the 8.6 percent gain during 1978. The implicit price deflator, a measure of price inflation in the private business sector, rose 9.2 percent during 1981, the same as the increase during 1980.

From 1980 to 1981, productivity in the nonfarm business sector increased 0.9 percent, the first increase since 1977. Output increased 1.8 percent during 1981, and hours of all persons went up 0.9 percent. During 1980, productivity declined 0.3 percent, output went down 0.9 percent, and hours fell 0.6 percent. The gain in productivity in 1981 followed declines of 0.2 percent in 1978, 0.7 percent in 1979, and 0.3 percent in 1980.

The 0.9 percent increase in hours of all persons reflected a 1.2 percent gain in employment and a 0.3 percent drop in average weekly hours. During 1980, employment grew 0.4 percent and the length of the average work week fell 1.0 percent.

In manufacturing, which accounts for about one-fourth of the persons engaged in private business, productivity increased 2.7 percent, compared with a 0.3 percent decline during 1980. Output grew by 2.5 percent in 1981, and hours of all persons decreased 0.1 percent. One year earlier, output and hours declined 4.6 percent and 4.4 percent, respectively. Productivity and output growth was faster among durables than among nondurables.

Hourly compensation increased 11.1 percent in 1981 in all of manufacturing compared with a 10.7 percent rise during 1980. The increase during 1981 was the largest since 1975, when an 11.9 percent gain occurred. Real hourly compensation in manufacturing rose 0.7 percent in 1981, compared with a 2.5 percent decline in 1980. Unit labor cost rose 8.2 percent in 1981, compared with an 11.0 percent increase during 1980.

The 0.1 percent decline in hours reflected a drop in sector employment in 1981; average weekly hours remained unchanged from the preceding year.

Table B contains annual changes in productivity, output, and hours since 1971.

Nonfinancial corporations

The Bureau of Labor Statistics also reported revised measures for the third quarter for the nonfinancial corporate sector. In this sector, which includes all corporations doing business in the United States with the exception of banks, stock and commodity brokers, and finance and credit agencies, productivity declined 0.5 percent during the third quarter, as output fell 0.1 percent and hours of all employees increased 0.4 percent (annual rates). Previously, these changes had been reported as -0.6 percent, -0.2 percent, and 0.4 percent, based on preliminary information. (See table 3.)

Table B. Annual changes in productivity, output, and hours.

| Year | Private Business | | | Nonfarm Business | | | Manufacturing | | |
|------|------------------|--------|-------|------------------|--------|-------|---------------|--------|-------|
| | Productivity | Output | Hours | Productivity | Output | Hours | Productivity | Output | Hours |
| 1971 | 3.6 | 3.0 | -0.5 | 3.3 | 2.9 | -0.4 | 6.1 | 2.2 | -3.7 |
| 1972 | 3.5 | 6.6 | 3.0 | 3.7 | 6.9 | 3.1 | 5.0 | 9.6 | 4.3 |
| 1973 | 2.7 | 6.6 | 3.9 | 2.5 | 6.9 | 4.2 | 5.4 | 11.2 | 5.5 |
| 1974 | -2.3 | -1.9 | 0.4 | -2.4 | -1.9 | 0.4 | -2.4 | -4.2 | -1.9 |
| 1975 | 2.3 | -1.9 | -4.1 | 2.1 | -2.2 | -4.2 | 2.9 | -7.1 | -9.7 |
| 1976 | 3.3 | 6.3 | 2.9 | 3.2 | 6.7 | 3.4 | 4.4 | 9.6 | 4.9 |
| 1977 | 2.1 | 6.3 | 4.0 | 2.0 | 6.4 | 4.3 | 2.4 | 6.7 | 4.2 |
| 1978 | -0.2 | 4.7 | 4.9 | -0.2 | 4.9 | 5.1 | 0.9 | 5.4 | 4.4 |
| 1979 | -0.3 | 2.8 | 3.1 | -0.7 | 2.7 | 3.4 | 1.1 | 3.1 | 2.0 |
| 1980 | -0.2 | -0.8 | -0.6 | -0.3 | -0.9 | -0.6 | -0.3 | -4.6 | -4.4 |
| 1981 | 1.0 | 1.9 | 0.9 | 0.9 | 1.8 | 0.9 | 2.7 | 2.5 | -0.1 |

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PRODUCTIVITY AND COSTS

Nonfinancial Corporate Sector
Annual Data for 1981

Productivity, defined as output per employee hour, increased 2.5 percent in 1981 in the nonfinancial corporate sector, according to preliminary measures announced today by the Bureau of Labor Statistics of the U.S. Department of Labor. During 1980, productivity increased 0.6 percent in this sector. The productivity gain in 1981 reflected a 3.4 percent increase in output and a 0.9 percent increase in hours of all employees; during 1980, both output and hours declined. The nonfinancial corporate sector includes all corporations doing business in the United States, with the exception of banks, stock and commodity brokers, and finance and insurance agencies, and accounted for about two-thirds of private business sector employment during 1981--about 55 million persons.

Revised fourth-quarter productivity and cost measures for the private business, nonfarm business, and manufacturing sectors were also announced today; a summary appears in table B and in tables 1,2, and 4-6.

Compensation and labor cost for nonfinancial corporations

Hourly compensation increased 10.1 percent during 1981 for all employees in the nonfinancial corporate sector, the same as the increase during 1980. Hourly compensation has never increased faster than 10.1 percent in this series (which covers the 1958-forward period); annual increases of 10.1 percent were recorded during 1981, 1980, and 1975. This measure includes the cost to employers of wages and salaries as well as all fringe benefits, shift differentials, and employer payments to employee benefit plans. Unit labor cost (compensation per unit of output) increased 7.4 percent in 1981, compared with a 9.5 percent increase during 1980. The slower growth of unit labor cost in 1981 reflects productivity gains, since hourly compensation increased by equal amounts in both years.

Real hourly compensation--compensation outlays adjusted for changes in the Consumer Price Index for All Urban Consumers (CPI-U)--fell 0.3 percent during 1981, compared with a 3.0 percent decline during 1980. The slower decline in 1981 reflects slower rate of increase in the CPI-U.

Unit nonlabor cost, which includes capital consumption allowances, net interest, and indirect business taxes, increased 12.2 percent in 1981, compared with a 15.6 percent increase in 1980.

Although the productivity measures relate output to the hours of all persons engaged in each sector, they do not measure the specific contributions of labor, capital, or any other single factor of production. Rather, they reflect the joint effects of many influences, including new technology, capital investment, the level of output, capacity utilization, energy use, and managerial skill, as well as the skills and efforts of the work force.

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Table A. Productivity and costs in nonfinancial corporations
Percent change from previous year

| Measure | 1976 | 1977 | 1978 | 1979 | 1980 | p1981 |
|--------------------------|------|------|------|------|------|-------|
| Output per employee hour | 3.2 | 2.7 | 0.4 | 0.0 | 0.6 | 2.5 |
| Hourly compensation | 8.2 | 8.1 | 8.2 | 9.7 | 10.1 | 10.1 |
| Unit labor cost | 4.9 | 5.3 | 7.8 | 9.7 | 9.5 | 7.4 |
| Real hourly compensation | 2.3 | 1.5 | 0.5 | -1.4 | -3.0 | -0.3 |
| Output | 7.4 | 7.2 | 5.8 | 3.3 | -0.7 | 3.4 |
| Hours | 4.1 | 4.4 | 5.3 | 3.3 | -1.3 | 0.9 |
| Unit nonlabor payments | 4.6 | 5.2 | 3.8 | 4.4 | 8.3 | 12.8 |
| Unit profits | 16.0 | 9.9 | 3.0 | -3.9 | -8.9 | 14.7 |

p=preliminary

Table B. Productivity and costs: percent change at annual rate
(Seasonally adjusted)

| Sector | Produc- tivity | Hourly compen- sation | Unit labor cost | Real hourly compen- sation | Output | Hours |
|--|-------------------|-----------------------------|-----------------------|-------------------------------------|--------|-------|
| | | | | | | |
| Revised | | | | | | |
| Third quarter 1981 to fourth quarter 1981 | | | | | | |
| Private business | -6.5 | 5.5 | 12.9 | -2.1 | -6.8 | -0.2 |
| Nonfarm business | -6.8 | 6.2 | 14.0 | -1.5 | -7.7 | -1.0 |
| Manufacturing | -11.0 | 7.4 | 20.7 | -0.4 | -18.5 | -8.5 |
| Durable | -11.9 | 7.6 | 22.1 | -0.2 | -21.1 | -10.5 |
| Nondurable | - 9.8 | 7.8 | 19.6 | 0.0 | -14.6 | -5.3 |
| 1980 to 1981 annual averages | | | | | | |
| Private business | 1.1 | 10.0 | 8.8 | -0.3 | 2.0 | 0.9 |
| Nonfarm business | 0.9 | 10.1 | 9.0 | -0.3 | 1.9 | 0.9 |
| Manufacturing | 2.7 | 11.1 | 8.2 | 0.7 | 2.5 | -0.1 |
| Durable | 3.2 | 11.5 | 8.1 | 1.0 | 2.8 | -0.4 |
| Nondurable | 1.9 | 10.5 | 8.4 | 0.1 | 2.2 | 0.3 |
| Fourth quarter 1981 to fourth quarter 1981 | | | | | | |
| Private business | 0.0 | 9.3 | 9.2 | -0.2 | 0.0 | 0.0 |
| Nonfarm business | -0.8 | 9.2 | 10.1 | -0.2 | -0.7 | 0.1 |
| Manufacturing | -0.7 | 9.8 | 10.5 | 0.2 | -2.5 | -1.8 |
| Durable | -0.5 | 9.9 | 10.4 | 0.3 | -2.9 | -2.5 |
| Nondurable | -1.1 | 9.7 | 10.9 | 0.2 | -1.9 | -0.8 |

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The implicit price deflator for the nonfinancial corporate sector--which reflects changes in unit labor cost, unit nonlabor cost, and unit profits--increased 9.2 percent in 1981, compared with a 9.1 percent gain during 1980. This was the largest price increase in this sector since the 10.9 percent increase of 1975.

Revised fourth quarter measures for the business sectors and manufacturing

The Bureau of Labor Statistics also released revised fourth quarter 1981 measures today for the private business, nonfarm business, and manufacturing sectors. Reflecting the revised output and compensation measure prepared by the Bureau of Economic Analysis of the U.S. Department of Commerce, and the latest information on employment and average weekly hours from the BLS, the revised measures show productivity declined 6.5 percent in the fourth quarter in the private business sector and declined 6.8 percent in the nonfarm business sector. On the basis of preliminary data, these measures had been published as -7.2 percent and -7.6 percent, respectively. In manufacturing, productivity declined 11.0 percent in the fourth quarter; preliminary data showed a 11.3 percent decline. Preliminary and revised measures are compared in table C.

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Table C. Preliminary and revised productivity and related measures, Fourth quarter 1981
Percent change from previous quarter at annual rate
(Seasonally adjusted)

| | Preliminary | Revised |
|--------------------------------|-------------|---------|
| Private business sector | | |
| Output per hour of all persons | -7.2 | -6.5 |
| Compensation per hour | 5.7 | 5.5 |
| Unit labor cost | 14.0 | 12.9 |
| Real compensation per hour | -1.9 | -2.1 |
| Output | -7.5 | -6.8 |
| Hours | -0.2 | -0.2 |
| Nonfarm business sector | | |
| Output per hour of all persons | -7.6 | -6.8 |
| Compensation per hour | 6.5 | 6.2 |
| Unit labor cost | 15.2 | 14.0 |
| Real compensation per hour | -1.2 | -1.5 |
| Output | -8.4 | -7.7 |
| Hours | -0.9 | -1.0 |
| Manufacturing | | |
| Output per hour of all persons | -11.3 | -11.0 |
| Compensation per hour | 7.5 | 7.4 |
| Unit labor cost | 21.1 | 20.7 |
| Real compensation per hour | -0.3 | -0.4 |
| Output | -18.5 | -18.5 |
| Hours | -8.2 | -8.5 |
| Durable | | |
| Output per hour of all persons | -12.2 | -11.9 |
| Compensation per hour | 7.8 | 7.6 |
| Unit labor cost | 22.8 | 22.1 |
| Real compensation per hour | 0.0 | -0.2 |
| Output | -21.1 | -21.1 |
| Hours | -10.2 | -10.5 |
| Nondurable | | |
| Output per hour of all persons | -10.0 | -9.8 |
| Compensation per hour | 7.5 | 7.8 |
| Unit labor cost | 19.4 | 19.6 |
| Real compensation per hour | -0.3 | 0.0 |
| Output | -14.7 | -14.6 |
| Hours | -5.1 | -5.3 |

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Bureau of Labor Statistics Washington, D.C. 20212

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Thursday, April 29, 1982

PRODUCTIVITY AND COSTS

Private Business, Nonfarm Business, and Manufacturing Sectors
First Quarter 1982

Productivity, in the business economy declined at a 1.0 percent annual rate in the first quarter of 1982, according to preliminary measures the Bureau of Labor Statistics reported today. The productivity decline in the first quarter reflected a 4.2 percent decrease in output and a 3.3 percent decrease in hours (quarterly changes at seasonally adjusted annual rate). During the fourth quarter of 1981, productivity declined 6.6 percent.

In the nonfarm business sector, output per hour of all persons increased 0.3 percent, reflecting a fall in output of 3.0 percent and an even greater decline in hours of all persons of 3.3 percent. During the fourth quarter of 1981, productivity had declined 6.9 percent in this sector.

In manufacturing, productivity decreased 5.8 percent in the first quarter; output decreased 14.6 percent, and hours fell 9.3 percent. During the fourth quarter of 1981, manufacturing productivity declined 10.8 percent as output and hours fell 18.5 percent and 8.7 percent, respectively.

First quarter measures are summarized in table A; details are given in tables 1-6. Revised annual measures for nonfinancial corporations and measures for the fourth quarter of 1981 were also released today. (See table B.)

Private business sector

Productivity, as measured by output per hour of all persons, declined at a 1.0 percent annual rate during the first 3 months of 1982, compared with a 6.6 percent decrease during the fourth quarter of 1981. This was the third consecutive quarter of productivity decline in the private business sector. Output declined 4.2 percent and hours decreased 3.3 percent during the first quarter. Although output has declined for the past 4 quarters, the most recent decrease was smaller than the 6.8 percent decline recorded during the fourth quarter of 1981. On the other hand, hours declined faster during the first quarter of 1982 than they had during the fourth quarter of 1981.

Although the productivity measures relate output to the hours of all persons engaged in each sector, they do not measure the specific contributions of labor, capital, or any other single factor of production. Rather, they reflect the joint effects of many influences, including new technology, capital investment, the level of output, capacity utilization, energy use, and managerial skill, as well as the skills and efforts of the work force.

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Table A. Productivity and costs: percent change at annual rate
(Seasonally adjusted)

| Sector | Productivity | Hourly compensation | Unit labor cost | Real hourly compensation | Output | Hours |
|---|--------------|---------------------|-----------------|--------------------------|--------|-------|
| <u>Preliminary</u> | | | | | | |
| Fourth Quarter 1981 to First Quarter 1982 | | | | | | |
| Private business | -1.0 | 8.1 | 9.1 | 4.7 | -4.2 | -3.3 |
| Nonfarm business | 0.3 | 8.4 | 8.1 | 5.0 | -3.0 | -3.3 |
| Manufacturing | -5.8 | 10.9 | 17.8 | 7.4 | -14.6 | -9.3 |
| Durable | -7.1 | 10.9 | 19.5 | 7.4 | -16.9 | -10.6 |
| Nondurable | -4.0 | 11.4 | 16.0 | 7.9 | -11.0 | -7.3 |
| First Quarter 1981 to First Quarter 1982 | | | | | | |
| Private business | -1.4 | 8.3 | 9.8 | 0.8 | -2.9 | -1.6 |
| Nonfarm business | -1.8 | 8.4 | 10.4 | 0.9 | -3.3 | -1.6 |
| Manufacturing | -3.0 | 9.6 | 13.0 | 2.0 | -7.9 | -5.1 |
| Durable | -3.3 | 9.7 | 13.5 | 2.1 | -9.1 | -6.0 |
| Nondurable | -2.6 | 9.8 | 12.6 | 2.2 | -6.1 | -3.7 |

Hourly compensation, which includes wages and salaries, supplements, and employer payments for social security and other employee benefit plans, increased at an 8.1 percent annual rate, the smallest first-quarter gain since 1977. First-quarter increases in hourly compensation were larger than subsequent quarters' gains in 7 of the past 10 years. During the fourth quarter of 1981, hourly compensation rose 5.5 percent.

Real hourly compensation--which adjusts for changes in the Consumer Price Index for All Urban Consumers (CPI-U)--increased 4.7 percent in the first quarter of 1982, the first rise in this series since the second quarter of 1981 and the largest increase since the 5.1 percent annual rate of increase during the second quarter of 1976. The 3.3 percent increase in the CPI-U was the smallest gain in this measure since the 3.2 percent increase of the second quarter of 1976.

Unit labor cost, which reflects changes in productivity and hourly compensation, increased at a 9.1 percent annual rate during the first quarter, compared with a 13.0 percent increase during the fourth quarter of 1981. Unit nonlabor payments--which consist of indirect business taxes, depreciation, net interest, and profits--declined at a 10.3 percent annual rate, compared with a 0.4 percent increase during the fourth quarter of 1981. This was the first decline in this series since the 6.8 percent decrease during the first quarter of 1978, and the largest quarterly decline since the 12.5 percent drop during the third quarter of 1959.

The implicit price deflator--which measures price change in a specific sector and reflects changes in unit labor cost and unit nonlabor payments combined--increased 2.8 percent in the first quarter, compared with an 8.9 percent rise during the fourth quarter of 1981. This was the smallest price rise in this sector since the 2.8 percent gain during the first quarter of 1976.

Compared with the first quarter of 1981, productivity declined 1.4 percent, as output fell 2.9 percent and hours dropped 1.6 percent. Hourly compensation rose 8.3 percent (0.8 percent after allowing for the increase in the CPI-U), unit labor cost increased 9.8 percent, nonlabor payments rose 1.1 percent, and the implicit price deflator increased 7.0 percent.

Nonfarm business sector

Productivity increased in the nonfarm business sector by 0.3 percent during the first quarter, reflecting a 3.0 percent decline in output and a 3.3 percent decrease in hours of all persons. During the fourth quarter of 1981, productivity dropped 6.9 percent, output fell 7.7 percent, and hours decreased 0.9 percent. The first-quarter declines marked the fourth consecutive quarterly drop in output and the second in hours.

Nonfarm hourly compensation increased 8.4 percent in the first quarter of 1982, compared with a 6.3 percent rise during the fourth quarter of 1981. Real hourly compensation increased at a 5.0 percent annual rate during the first quarter, compared with a 1.4 percent decline during the fourth quarter of 1981. This was the first increase in the series since the second quarter of 1981 and the largest gain since the 5.5 percent rise in the second quarter of 1976.

Unit labor cost rose 8.1 percent during the first quarter of 1982, compared with a 14.1 percent rise during the fourth quarter of 1981. Unit nonlabor payments fell at a 10.2 percent annual rate, and the implicit price deflator rose 2.2 percent. During the preceding quarter, nonlabor payments increased 1.8 percent and prices rose 10.1 percent in this sector (at seasonally adjusted annual rates).

Compared with the first quarter of 1981, productivity declined 1.8 percent, output fell 3.3 percent, and hours of all persons declined 1.6 percent. Hourly compensation went up 8.4 percent, unit labor cost rose 10.4 percent, and unit nonlabor payments increased 1.2 percent. The implicit price deflator rose 7.5 percent over the 4-quarter span.

Manufacturing

Productivity in the manufacturing sector fell at a 5.8 percent annual rate in the first quarter of 1982, as output fell 14.6 percent and hours dropped 9.3 percent. During the fourth quarter of 1981, productivity declined 10.8 percent, output fell 18.5 percent, and hours dropped 8.7 percent (at seasonally adjusted annual rates). This was the third quarter of falling or unchanged output, and the fourth quarter of falling hours in manufacturing. The decline in hours in part reflects a drop in employment of about 772,000 during the past 2 quarters. Average weekly hours declined at a 1.4 percent annual rate during the first quarter, the fourth quarter of decline in this measure.

Hourly compensation increased at a 10.9 percent annual rate during the first quarter, compared with a 7.6 percent gain during the fourth quarter of 1981. After allowing for the increase in the CPI-U, real hourly compensation increased 7.4 percent during the first quarter, compared with a 0.2 percent decline during the fourth quarter of 1981. This was the largest quarterly gain in real hourly compensation in manufacturing since the 7.6 percent gain during the first quarter of 1960.

Compared with the first quarter of 1981, productivity declined 3.0 percent, as output fell 7.9 percent and hours dropped 5.1 percent. Hourly compensation rose 9.6 percent (2.0 percent after allowing for the rise in the CPI-U), and unit labor cost increased 13.0 percent. Employment dropped 3.4 percent over the 4-quarter span.

Fourth quarter measures for nonfinancial corporations

Fourth quarter 1981 productivity and cost measures were also announced today for the nonfinancial corporate sector, together with revised annual movements. (See table B.) Output per all-employee hour declined at a 5.5 percent annual rate during the fourth quarter, as output declined 7.8 percent and hours fell 2.4 percent. This was the largest quarterly productivity decline in this sector since the 6.5 percent drop during the first quarter of 1974. Hourly compensation increased 6.9 percent, and real hourly compensation declined 0.8 percent. Unit labor cost rose 13.2 percent, the largest gain since a 17.3 percent gain during the third quarter of 1974. Unit profits declined at a 32.6 percent annual rate, compared with a 15.7 percent gain during the third quarter (annual rates). See table 3.

Table B. Nonfinancial corporations
Percent change in productivity and costs at annual rates
(Seasonally adjusted)

| Item | Third quarter 1981 to fourth quarter 1981 PRELIMINARY | Fourth quarter 1980 to fourth quarter 1981 PRELIMINARY | 1981 Annual REVISED |
|-------------------------------|--|---|---------------------------|
| Output per all-employee hours | -5.5 | 0.6 | 2.4 |
| Hourly compensation | 6.9 | 9.2 | 10.0 |
| Unit labor cost | 13.2 | 8.6 | 7.4 |
| Real hourly compensation | -0.8 | -0.3 | -0.3 |
| Output | -7.8 | 0.7 | 3.4 |
| Hours | -2.4 | 0.1 | 1.0 |
| Unit profits | -32.6 | 4.5 | 14.9 |

Revised measures

The productivity and cost measures contained in this release for the manufacturing sector incorporate small revisions in the underlying output measures prepared by the Board of Governors of the Federal Reserve System and the Bureau of Economic Analysis of the U.S. Department of Commerce. All affected quarters are found in this release; see tables 4-6 and appendix tables A-C.

Productivity Measures for Selected Industries, 1954-80



U.S. Department of Labor
Raymond J. Donovan, Secretary
Bureau of Labor Statistics
Janet L. Norwood, Commissioner
April 1982

Bulletin 2128

Productivity Measures for Selected Industries, 1954-80, BLS Bulletin 2128, has been prepared by the Division of Industry Productivity Studies and is now available. This 228 page bulletin contains annual indexes of output per employee hour, output and employee hours for about 103 industries in the nonfarm sector. The indexes are available for most industries through 1980. Please call Charles W. Ardolini, 202-523-9244 for additional information. BLS Bulletin 2128 can be ordered from the Superintendent of Documents, U. S. Government Printing Office, Washington, D.C. 20402 (Stock No. 029-001-02702-8), GPO Bookstores, or BLS Regional Offices listed below. The price is \$7.00. Make checks or money orders payable to the Superintendent of Documents.

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PRODUCTIVITY AND COSTS

Nonfinancial Corporate Sector
First Quarter 1982

Productivity in nonfinancial corporations declined at a 0.3 percent annual rate in the first quarter of 1982, the Bureau of Labor Statistics reported today. The decline reflected a drop of 4.7 percent in output and a 4.4 percent decrease in employee-hours. This was the third consecutive decline in productivity in this sector, which includes all corporations doing business in the United States, with the exception of banks, stock and commodity brokers, and finance and insurance companies. Productivity fell 5.5 percent during the fourth quarter of 1981 and 0.5 percent during the third quarter (seasonally adjusted annual rates).

Revised first-quarter productivity and cost measures for the private business, nonfarm business, and manufacturing sectors were also announced today. A summary appears in table A; details are found in tables 1, 2, and 4-6.

Compensation and labor cost for nonfinancial corporations

Hourly compensation increased 8.6 percent for all employees in the nonfinancial corporate sector during the first quarter of 1982, compared with a 6.9 percent increase during the fourth quarter of 1981. Hourly compensation includes wages and salaries, supplements, employer contributions to employee benefit plans, and taxes.

Real hourly compensation--which takes account of the increase in the Consumer Price Index for All Consumers (CPI-U)--increased 5.2 percent during the first quarter of 1982, compared with a 0.8 percent annual rate of decline in the fourth quarter of 1981. This was the largest quarterly increase in real hourly compensation in this sector since the 5.7 percent increase in the first quarter of 1968.

Unit labor cost--compensation per unit of output--rose 8.9 percent during the first quarter, compared with a 13.2 percent increase during the fourth quarter of 1981.

Although the productivity measures relate output to the hours of all persons engaged in each sector, they do not measure the specific contributions of labor, capital, or any other single factor of production. Rather, they reflect the joint effects of many influences, including new technology, capital investment, the level of output, capacity utilization, energy use, and managerial skill, as well as the skills and efforts of the work force.

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Table A. Productivity and costs: percent change at annual rate
(Seasonally adjusted)

| Sector | Productivity | Hourly compensation | Unit labor cost | Real hourly compensation | Output | Hours |
|---|--------------|---------------------|-----------------|--------------------------|--------|-------|
| Fourth quarter 1981 to first quarter 1982 | | | | | | |
| <u>Preliminary</u> | | | | | | |
| Nonfinancial corporations | -0.3 | 8.6 | 8.9 | 5.2 | -4.7 | -4.4 |
| <u>Revised</u> | | | | | | |
| Private business | -0.9 | 7.6 | 8.6 | 4.2 | -3.9 | -3.0 |
| Nonfarm business | 0.5 | 7.9 | 7.3 | 4.5 | -2.5 | -3.0 |
| Manufacturing | -4.9 | 10.7 | 16.5 | 7.2 | -14.1 | -9.7 |
| Durable | -7.5 | 10.5 | 19.5 | 7.0 | -17.6 | -11.0 |
| Nondurable | -1.3 | 11.5 | 13.0 | 8.0 | -8.8 | -7.7 |
| First quarter 1981 to first quarter 1982 | | | | | | |
| <u>Preliminary</u> | | | | | | |
| Nonfinancial corporations | -1.1 | 8.5 | 9.7 | 0.9 | -3.2 | -2.1 |
| <u>Revised</u> | | | | | | |
| Private business | -1.4 | 8.2 | 9.7 | 0.7 | -2.8 | -1.5 |
| Nonfarm business | -1.7 | 8.3 | 10.2 | 0.8 | -3.2 | -1.5 |
| Manufacturing | -3.0 | 9.6 | 13.0 | 2.0 | -8.1 | -5.2 |
| Durable | -3.8 | 9.6 | 13.9 | 2.0 | -9.6 | -6.1 |
| Nondurable | -2.1 | 9.8 | 12.1 | 2.2 | -5.7 | -3.7 |

Unit profit declined at a 51.4 percent annual rate during the first quarter, compared with a 32.6 percent drop during the fourth quarter of 1981. This was the largest quarterly decrease in unit profit recorded in this series, which begins with data for the first quarter of 1958.

The implicit price deflator, which reflects changes in unit labor cost, unit nonlabor payments, and unit profit, increased at a 2.4 percent annual rate during the first quarter of 1982, compared with a 9.6 percent increase during the fourth quarter of 1981. This increase in prices was the smallest in this sector since the 2.0 percent increase in the first quarter of 1973. The implicit price deflator and its components are shown in table B from 1977 forward.

Comparing the first quarter of 1981 and the first quarter of 1982, productivity declined 1.1 percent, as output decreased 3.2 percent, and employee-hours fell 2.1 percent. Hourly compensation increased 8.5 percent, unit labor cost rose 9.7 percent, and real hourly compensation increased 0.9 percent. Unit profit fell 24.4 percent, and the implicit price deflator rose 7.2 percent over the 12-month span.

Table B. Indexes of price, cost, and profit
Nonfinancial corporations
(1977=100)

| Measure | 1977 | 1978 | 1979 | 1980 | 1981 | 1981 | | | | 1982 |
|-------------------------|--------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | | | | | | I | II | III | IV | I |
| Implicit price deflator | 100.00 | 106.4 | 114.8 | 125.2 | 136.7 | 132.7 | 134.7 | 138.2 | 141.4 | 142.2 |
| Total unit cost | 100.00 | 106.8 | 116.8 | 129.7 | 140.9 | 136.0 | 138.7 | 142.2 | 147.0 | 150.0 |
| Unit labor cost | 100.00 | 107.8 | 118.2 | 129.4 | 139.0 | 134.7 | 137.0 | 140.2 | 144.6 | 147.7 |
| Unit nonlabor cost | 100.00 | 104.1 | 112.7 | 130.2 | 146.1 | 139.5 | 143.6 | 147.7 | 153.8 | 156.3 |
| Unit profit | 100.00 | 103.0 | 99.0 | 90.2 | 103.6 | 106.8 | 102.8 | 106.7 | 96.6 | 80.7 |

Comparing the first quarter of 1981 and the first quarter of 1982, productivity declined 1.1 percent, as output decreased 3.2 percent, and employee-hours fell 2.1 percent. Hourly compensation increased 8.5 percent, unit labor cost rose 9.7 percent, and real hourly compensation increased 0.9 percent. Unit profit fell 24.4 percent, and the implicit price deflator rose 7.2 percent over the 12-month span.

Revised measures

Revised first-quarter productivity and cost measures for the private business, nonfarm business, and manufacturing sectors were also reported today. The productivity declines were somewhat smaller in the revised series than in the earlier measures reported on April 29 which were based on preliminary information. The latest data show smaller declines in both output and hours of all persons in almost all cases. Table C compares the preliminary and revised measures. Quarterly output measures for manufacturing in 1981 also have been revised, but the change for the year as a whole was not affected.

Table C. Preliminary and revised first quarter measures of productivity and costs
Quarterly change at annual rate.
(Seasonally adjusted)

| Measure | Private business sector | | Nonfarm business sector | | Manufacturing | |
|--------------------------------|-------------------------|---------|-------------------------|---------|---------------|---------|
| | Preliminary | Revised | Preliminary | Revised | Preliminary | Revised |
| Output per hour of all persons | -1.0 | -0.9 | 0.3 | 0.5 | -5.8 | -4.9 |
| Compensation per hour | 8.1 | 7.6 | 8.4 | 7.9 | 10.9 | 10.7 |
| Unit labor cost | 9.1 | 8.6 | 8.1 | 7.3 | 17.8 | 16.5 |
| Real compensation per hour | 4.7 | 4.2 | 5.0 | 4.5 | 7.4 | 7.2 |
| Output | -4.2 | -3.9 | -3.0 | -2.5 | -14.6 | -14.1 |
| Hours | -3.3 | -3.0 | -3.3 | -3.0 | -9.3 | -9.7 |

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PRODUCTIVITY AND COSTS

Business, Nonfarm Business, and Manufacturing Sectors
Second Quarter 1982

Productivity in the business sector increased at a 2.9 percent annual rate during the second quarter of 1982 according to preliminary measures announced today by the Bureau of Labor Statistics of the U.S. Department of Labor. The productivity increase was greater than the revised 0.8 percent annual rate of advance during the first quarter. The second-quarter gain resulted from an increase in output and a decline in hours, in contrast with the first-quarter productivity rise, which reflected declines in both measures.

In the nonfarm business sector, productivity increased 2.3 percent. During the first quarter productivity rose 2.6 percent in this sector.

In manufacturing, productivity increased at a 0.9 percent annual rate. During the first quarter of 1982, manufacturing productivity decreased 2.6 percent.

A summary of second-quarter changes, as well as revised first-quarter productivity and cost measures for nonfinancial corporations, also reported today, appears in table A; details appear in tables 1-6.

All of the productivity and cost measures in this release are based on revised output and compensation measures released by the Bureau of Economic Analysis of the U.S. Department of Commerce on July 21, 1982, as part of the regular revision cycle of the National Income and Product Accounts -- the Gross National Product measures. These revisions affected the productivity and cost measures beginning in 1977.

In addition, the measures of labor input used in the computation of productivity and cost measures have been revised to take account of the latest information in adjusting for seasonal fluctuations and of the results of the 1980 census.

Appendix tables 1-6 contain data for the 1977-1980 period, which reflects the revised output and compensation estimates. Historical information, which shows the small effects of the revisions in the labor input measures mentioned above and other minor changes, is available on request from the Office of Productivity and Technology, Bureau of Labor Statistics, Washington, D.C. 20212; telephone (202) 523-9261

The word "private" will no longer be used as part of the series title of the business sector measures prepared by the BLS. No change has been made in the definition or content of the measures affected by this change in nomenclature.

Although the productivity measures relate output to the hours of all persons engaged in each sector, they do not measure the specific contributions of labor, capital, or any other single factor of production. Rather, they reflect the joint effects of many influences, including new technology, capital investment, the level of output, capacity utilization, energy use, and managerial skills, as well as the skills and efforts of the work force.

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Table A. Productivity and costs: percent change at annual rate
(Seasonally adjusted)

| Sector | Productivity | Hourly compensation | Unit labor cost | Real hourly compensation | Output | Hours |
|--|--------------|---------------------|-----------------|--------------------------|--------|-------|
| First quarter 1982 to second quarter 1982 <u>PRELIMINARY</u> | | | | | | |
| Business | 2.9 | 7.1 | 4.1 | 2.4 | 1.7 | -1.1 |
| Nonfarm business | 2.3 | 6.2 | 3.8 | 1.5 | 1.8 | -0.4 |
| Manufacturing | 0.9 | 7.6 | 6.7 | 2.9 | -5.0 | -5.9 |
| Durable | 0.8 | 7.7 | 6.8 | 3.0 | -6.2 | -7.0 |
| Non-durable | 0.9 | 7.9 | 6.9 | 3.2 | -3.4 | -4.3 |
| Fourth quarter 1981 to first quarter 1982 <u>REVISED</u> | | | | | | |
| Nonfinancial corporations | 3.2 | 11.6 | 8.1 | 8.0 | -5.2 | -8.2 |
| Second Quarter 1981 to second quarter 1982 <u>PRELIMINARY</u> | | | | | | |
| Business | 0.5 | 8.2 | 7.8 | 1.3 | -2.2 | -2.6 |
| Nonfarm business | 0.2 | 8.2 | 7.9 | 1.2 | -2.3 | -2.6 |
| Manufacturing | -2.6 | 8.8 | 11.6 | 1.8 | -9.8 | -7.4 |
| Durable | -3.4 | 8.9 | 12.8 | 1.9 | -12.0 | -8.8 |
| Non-durable | -1.3 | 8.9 | 10.4 | 2.0 | -6.5 | -5.3 |
| First quarter 1981 to first quarter 1982 <u>REVISED</u> | | | | | | |
| Nonfinancial corporations | 0.1 | 8.8 | 8.6 | 1.2 | -2.7 | -2.9 |

Note: Detail may not agree with total due to rounding.

Business sector

The productivity increase during the second quarter of 1982 reflected the first gain in output since the third quarter of 1981. The 2.9 percent productivity advance during the second quarter (seasonally adjusted annual rate) resulted from a 1.7 percent increase in output and a 1.1 percent decline in hours of all persons. The decline in hours resulted from a 0.1 percent drop in the length of the average work week and a 1.1 percent fall in employment in the sector, the smallest of three successive quarterly employment declines.

Hourly compensation, which includes employer outlays for wages and salaries as well as payments for social security, private pension and health plans, and other employee benefits, increased at a 7.1 percent annual rate during the second quarter. This rise was the smallest since the 7.1 percent increase recorded during the second quarter of 1978. During the first quarter of 1982, hourly compensation rose 9.6 percent.

After allowing for the increase in the Consumer Price Index for All Urban Consumers (CPI-U), real hourly compensation grew 2.4 percent during the second quarter, compared with a 6.1 percent gain during the first quarter of 1982.

Unit labor cost -- which shows the effect of changes in hourly compensation and productivity -- increased 4.1 percent during the second quarter, compared with an 8.6 percent increase during the first quarter of 1982. The second quarter increase was the smallest since the 3.2 percent rise during the third quarter of 1977.

The implicit price deflator -- which measures price change in a sector and reflects changes in unit labor cost and unit nonlabor payments combined -- increased 5.2 percent, compared with a 3.8 percent gain during the first quarter.

Compared with the second quarter of 1981, productivity in the second quarter of 1982 increased 0.5 percent, output declined 2.2 percent, and hours of all persons fell 2.6 percent. Hourly compensation rose 8.2 percent -- 1.3 percent in real terms when the rise in the CPI-U is taken into account -- and unit labor cost went up 7.8 percent. The implicit price deflator increased 6.5 percent over the 4-quarter period.

Nonfarm business sector

Productivity increased at a 2.3 percent annual rate in the nonfarm business sector during the second quarter of 1982, reflecting a 1.8 percent gain in output and a 0.4 percent decrease in the hours of all persons engaged in the sector. During the first quarter of 1982, productivity rose 2.6 percent, but output and hours declined 4.2 percent and 6.6 percent, respectively.

Hourly compensation increased 6.2 percent during the second quarter, compared with a 10.1 percent annual rate of increase during the first quarter of 1982. This was the smallest increase in hourly compensation since the 5.5 percent increase of the second quarter of 1973. After adjusting for the increase in the CPI-U, real hourly compensation increased 1.5 percent, compared with a 6.6 percent increase during the first quarter of 1982 (annual rates). Unit labor cost rose 3.8 percent during the second quarter, the smallest rise in this measure since the 1.1 percent gain during the first quarter of 1977. During the first quarter of 1982, unit labor cost rose 7.4 percent in this sector (annual rate). The implicit price deflator increased 5.0 percent during the second quarter, compared with a 3.3 percent gain one quarter earlier.

Compared with the same quarter of 1981, nonfarm business productivity in the second quarter of 1982 increased 0.2 percent, output dropped 2.3 percent, and hours of all persons declined 2.6 percent. Hourly compensation rose 8.2 percent -- 1.2 percent after allowing for the increase in the CPI-U -- and unit labor cost increased 7.9 percent. The implicit price deflator was 6.9 percent higher than a year earlier.

Manufacturing

Manufacturing productivity increased at a 0.9 percent annual rate according to preliminary second quarter measures, reflecting a 5.0 percent decline in output and a 5.9 percent decline in hours of all persons. Although output and hours fell during the second quarter, the declines were not as large as the decrease during the first quarter, when manufacturing output fell 14.0 percent and hours dropped 11.7 percent (annual rates). The smaller decline in hours during the second quarter reflected a 0.2 percent increase in the length of the average work week, the first such gain since the second quarter of 1981. Employment dropped at a 6.0 percent annual rate, the third consecutive fall in this measure. Since the third quarter of 1981, manufacturing employment has fallen by almost 1.3 million -- nearly 75 percent of the decline in durables.

Hourly compensation advanced 7.6 percent, compared with an 11.1 percent rise during the first quarter of 1982. Unit labor cost rose 6.7 percent during the second quarter of 1982, significantly less than the 14.1 percent rise one quarter earlier.

Compared with the second quarter of 1981, manufacturing productivity in the second quarter of 1982 declined 2.6 percent, output fell 9.8 percent, and hours of all persons dropped 7.4 percent. Hourly compensation rose 8.8 percent -- 1.8 percent in real terms -- and unit labor cost advanced 11.6 percent over the 12-month span.

Revised measures

Revised first-quarter productivity and cost measures were also reported today for the nonfinancial corporate sector. Productivity increased at a 3.2 percent annual rate in the first quarter; output declined 5.2 percent while employee-hours fell at an 8.2 percent annual rate. Hourly compensation rose 11.6 percent, and unit labor cost increased 8.1 percent. A comparison of these revised measures with preliminary values published May 26 is presented in table B.

Appendix tables 1-6 contain 1977-1980 data affected by the GNP revisions mentioned on page 1. The components of the National Income and Product Account used in the computation of productivity and costs were revised beginning with 1977. Manufacturing output has also been revised, incorporating most recent information provided by the Internal Revenue Service to the Bureau of Economic Analysis, U.S. Department of Commerce.

Table B.
Nonfinancial corporations: preliminary and revised first quarter of
productivity and costs, quarterly change at seasonally adjusted annual rate.

Percent

| Measure | Preliminary | Revised |
|--------------------------|-------------|---------|
| Productivity | -0.3 | 3.2 |
| Output | -4.7 | -5.2 |
| Hours | -4.4 | -8.2 |
| Hourly compensation | 8.6 | 11.6 |
| Real hourly compensation | 5.2 | 8.0 |
| Unit labor costs | 8.9 | 8.1 |
| Unit profits | -51.4 | -39.4 |
| Implicit price deflator | 2.4 | 3.0 |

TABLE 1. BUSINESS SECTOR, ALL PERSONS: PRODUCTIVITY,
HOURLY COMPENSATION, UNIT LABOR COST, AND PRICES, SEASONALLY ADJUSTED

| YEAR AND QUARTER | OUTPUT PER HOUR OF ALL PERSONS | OUTPUT | HOURS OF ALL PERSONS | COMPENSA- TION PER HOUR(1) | REAL COMPENSA- TION PER HOUR(2) | UNIT LABOR COST | UNIT NON- LABOR PAY- MENTS(3) | IMPLICIT PRICE DEFLATOR |
|---|--------------------------------------|--------|----------------------------|----------------------------------|--|-----------------------|-------------------------------------|-------------------------------|
| INDEXES 1977=100 | | | | | | | | |
| 1981 | I | 100.79 | 109.19 | 108.39 | 140.39 | 96.29 | 139.09 | 131.99 |
| | II | 100.79 | 109.19 | 108.39 | 142.59 | 96.49 | 141.59 | 131.89 |
| | III | 101.09 | 109.69 | 102.59 | 145.69 | 95.79 | 144.29 | 141.99 |
| | IV | 100.29 | 107.69 | 107.59 | 142.29 | 95.69 | 147.99 | 144.69 |
| | ANNUAL | 100.79 | 109.19 | 108.39 | 144.19 | 95.79 | 143.19 | 135.29 |
| 1982 | I | 100.59 | 106.39 | 105.89 | 151.79 | 97.19 | 151.09 | 146.09 |
| | II | 101.29 | 106.79 | 105.59 | 154.59 | 97.49 | 152.59 | 147.89 |
| PERCENT CHANGE FROM PREVIOUS QUARTER AT ANNUAL RATE(5) | | | | | | | | |
| 1981 | I | 5.69 | 7.9 | 2.19 | 11.79 | 0.29 | 5.79 | 25.09 |
| | II | 0.09 | -0.1 | -0.19 | 7.59 | 0.59 | 7.59 | 0.69 |
| | III | 1.19 | 1.99 | 0.5 | 9.09 | -2.69 | 7.69 | 12.59 |
| | IV | -2.99 | -6.49 | -3.69 | 7.49 | -0.49 | 10.69 | 2.09 |
| | ANNUAL | 1.69 | 2.59 | 0.79 | 9.69 | -0.79 | 7.79 | 13.39 |
| 1982 | I | 0.89 | -5.59 | -6.39 | 9.69 | 6.19 | 8.6 | -5.09 |
| | II | 2.99 | 1.79 | -1.19 | 7.19 | 2.49 | 4.19 | 7.59 |
| PERCENT CHANGE FROM CORRESPONDING QUARTER OF PREVIOUS YEAR(6) | | | | | | | | |
| 1981 | I | 1.49 | 1.19 | -0.49 | 10.59 | -0.79 | 8.99 | 13.79 |
| | II | 2.59 | 4.19 | 1.69 | 9.79 | -0.19 | 6.99 | 14.89 |
| | III | 2.29 | 4.19 | 1.79 | 9.49 | -1.39 | 7.19 | 13.99 |
| | IV | 0.99 | 0.79 | -0.29 | 8.99 | -0.69 | 7.99 | 11.09 |
| | ANNUAL | 1.99 | 2.59 | 0.79 | 9.69 | -0.79 | 7.79 | 13.39 |
| 1982 | I | -0.39 | -2.69 | -2.39 | 8.49 | 0.89 | 8.69 | 3.49 |
| | II | 0.59 | -2.29 | -2.69 | 8.29 | 1.39 | 7.89 | 4.09 |

SEE FOOTNOTES FOLLOWING TABLE 6.
R=REVISED
P=PRELIMINARY

JULY 29, 1982
SOURCE: BUREAU OF LABOR STATISTICS

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of Labor



Bureau of Labor Statistics

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PRODUCTIVITY AND COSTS: Third Quarter 1982

According to preliminary measures, productivity (output per hour of all persons) increased during the third quarter in all of the sectors of the economy for which the Bureau of Labor Statistics of the U.S. Department of Labor prepares quarterly measures. However, the gains in productivity reflected declines in hours and employment. Output advanced in the business, nonfarm business, and nondurable goods sectors, but declined in durable goods manufacturing. Hours declined in every sector.

The broadest measure, covering the business sector as a whole, showed that productivity advanced at a 4.0 percent annual rate, an increase greater than any since the 5.6 percent gain during the first quarter of 1981. Productivity is now at an all-time high in this sector, surpassing the previous peak set 1 year ago.

Other third-quarter productivity measures showed increases at these annual rates:

3.6 percent in the nonfarm business sector,
7.1 percent in manufacturing as a whole,
6.4 percent in durable goods manufacturing, and,
7.9 percent in nondurable goods manufacturing.

All of these measures --which are preliminary-- are summarized in table A and appear in detail in tables 1-5. In addition to productivity, the measures include output, hours, hourly compensation, and unit labor cost, as changed from the previous quarter and the same quarter of the previous year. All measures are seasonally adjusted annual rates.

A revised estimate of the productivity of nonfinancial corporations shows a second-quarter increase at a 2.9 percent annual rate. The revised measure for nonfinancial corporations is summarized in table B and appears in detail in table 6.

Table A. Productivity and costs: preliminary third quarter 1982 measures
(Seasonally adjusted annual rates)

| Sector | Productivity | Output | | Hourly compensation | Real hourly compensation | Unit labor cost |
|---|--------------|--------|-------|---------------------|--------------------------|-----------------|
| | | Output | Hours | | | |
| Percent change from preceding quarter | | | | | | |
| Business | 4.0 | 1.4 | -2.5 | 6.2 | -1.3 | 2.1 |
| Nonfarm business | 3.6 | 0.7 | -2.8 | 6.6 | -0.9 | 2.9 |
| Manufacturing | 7.1 | -1.9 | -8.5 | 6.5 | -1.1 | -0.6 |
| Durable | 6.4 | -5.5 | -11.2 | 8.0 | 0.4 | 1.5 |
| Nondurable | 7.9 | 3.3 | -4.3 | 4.7 | -2.7 | -3.0 |
| Percent change from same quarter a year ago | | | | | | |
| Business | 0.3 | -2.5 | -2.9 | 6.9 | 1.1 | 6.6 |
| Nonfarm business | 0.3 | -2.5 | -2.9 | 6.9 | 1.1 | 6.6 |
| Manufacturing | -0.8 | -10.1 | -9.4 | 8.7 | 2.8 | 9.6 |
| Durable | -1.5 | -12.9 | -11.5 | 9.2 | 3.2 | 10.9 |
| Nondurable | 0.1 | -6.1 | -6.1 | 8.6 | 2.7 | 8.5 |

Business sector

A modest increase in output coupled with a larger decline in hours resulted in a gain in third-quarter productivity. (Also reflected is a gain in farm productivity.) The 4.0 percent productivity increase in the business sector reflected 1.4 percent gain in output, the largest increase since the 1.9 percent during the third quarter of 1981, coupled with a 2.5 percent decline in hours of all persons (table 1). The index (1977=100) of productivity reached 101.3 in the third quarter, the highest level ever recorded in this series, which begins with data for 1947. The previous peak of 101.0 was set during the third quarter of 1981.

The decline in hours resulted from a 1.7 percent fall in employment and a 0.8 percent decline in average weekly hours. This was the fourth consecutive quarterly decline in employment in this sector.

Hourly compensation, which includes employer outlays for wages and salaries as well as payments for social security, private pension and health plans, and other employee benefits, increased at a 6.2 percent annual rate. This was the slowest rate of increase in hourly compensation since the 6.1 percent gain in the second quarter of 1977. During the second quarter of 1982, hourly compensation had risen at a 6.9 percent annual rate.

Real hourly compensation, which is adjusted for the increase in the Consumer Price Index for All Urban Consumers (CPI-U), declined 1.3 percent in the third quarter compared with a 2.2 percent gain during the second quarter.

Unit labor cost --which shows the effect of changes in hourly compensation and productivity-- increased 2.1 percent, compared with a 5.5 percent gain during the second quarter. This was the smallest increase in unit labor cost since the 1.7 percent decline during the first quarter of 1977.

The implicit price deflator --which measures price change in a sector and reflects changes in both unit labor cost and unit nonlabor payments-- increased at a 5.0 percent annual rate in the third quarter, compared with a 4.3 percent gain during the second quarter. This was the fastest gain in prices in the business sector year.

Nonfarm business sector

The 3.6 percent gain in nonfarm business productivity was the largest increase in this sector since the 4.9 percent gain during the first quarter of 1981 (table 2). The index of nonfarm business productivity stood at 100.3 (1977=100) compared with an all-time peak of 100.8 first attained during the second quarter of 1978, and regained 2 quarters later.

Output increased less in the nonfarm business sector than in the more comprehensive business sector discussed above, partly reflecting the omission of farm output from this sector. Nonfarm business output increased 0.7 percent, and hours of all persons fell 2.8 percent (seasonally adjusted annual rates). Employment and average weekly hours both declined.

Hourly compensation increased 6.6 percent in the nonfarm business sector during the third quarter. Hourly compensation in real terms declined 0.9 percent, after allowing for the rise in the CPI-U. During the second quarter, hourly compensation rose 6.1 percent, and real hourly compensation increased 1.4 percent. Unit labor cost rose 2.9 percent, compared with a 5.2 percent increase during the second quarter. This was the smallest increase in this measure since the 1.1 percent gain during the first quarter of 1977.

The implicit price deflator rose 5.5 percent, compared with a 4.0 percent increase one quarter earlier (seasonally adjusted annual rates).

Manufacturing

In manufacturing, productivity rose 7.1 percent as output fell 1.9 percent and hours dropped 8.5 percent. Both output and hours have declined for the past 5 quarters (table 3). The gain in productivity was the largest since the 14.0 percent jump in the fourth quarter of 1980, when output rose 22.2 percent and hours advanced 7.2 percent. Employment fell 7.7 percent and average weekly hours declined 0.8 percent during the third quarter of 1982. Hourly compensation increased 6.5 percent --the smallest gain since the 4.3 percent increase during the second quarter of 1978-- while real hourly compensation decreased 1.1 percent. Unit labor cost fell at a 0.6 percent annual rate, compared with a 6.9 percent increase during the second quarter. This was the first decline in these costs since the 3.9 percent drop in the fourth quarter of 1980. The drop in total manufacturing output was confined to the durable goods sector, where output fell at a 5.5 percent annual rate. On the other hand, nondurable goods output rose 3.3 percent, the first rise in output in this sector since the 1.4 percent rise in the third quarter of 1981 (tables 4, 5).

Revised measures

Revised second-quarter productivity and cost measures were also reported today for the nonfinancial corporate sector (table 6). Productivity increased at a 2.9 percent annual rate in the second quarter; output slipped 0.4 percent and hours of all employees declined 3.2 percent (annual rates). Hourly compensation rose 6.4 percent, and unit labor cost increased 3.4 percent. A comparison of these revised measures with preliminary values published August 26 is presented in table B.

Table B.

Nonfinancial corporations: Preliminary and revised second-quarter productivity and cost measures, quarterly change at seasonally adjusted annual rate.

Percent

| Measure | Preliminary | Revised |
|--------------------------|-------------|---------|
| Productivity | 2.3 | 2.9 |
| Output | -1.0 | -0.4 |
| Hours | -3.2 | -3.2 |
| Hourly compensation | 6.4 | 6.4 |
| Real hourly compensation | 1.7 | 1.7 |
| Unit labor cost | 4.0 | 3.4 |
| Unit profits | -16.0 | -16.7 |
| Implicit price deflator | 4.4 | 3.8 |

Business sector output is equal to gross national product less the rest-of-the world sector, general government, output of paid employees of private households and nonprofit institutions, rental value of owner-occupied dwellings, the statistical discrepancy in computing the national income accounts. Business output has accounted for about 77 percent of gross national product recent years. Corresponding exclusions are also made in employment.

Although the productivity measures relate output to the hours of all persons engaged in each sector, they do not measure the specific contributions of labor, capital, or any other single factor of production. Rather, they reflect the joint effect of many influences, including new technology, capital investment, the level of output, capacity utilization, energy use, and managerial skills, as well as the skills and efforts of the work force.

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PRODUCTIVITY AND COSTS
Nonfinancial Corporate Sector
Third Quarter 1982

According to preliminary measures, productivity (output per all-employee hour) increased substantially in the nonfinancial corporate sector during the third quarter of 1982. As in the case of the business, nonfarm business, and manufacturing sectors, for which the Bureau of Labor Statistics of the U.S. Department of Labor reported preliminary third quarter measures a month ago, productivity increased as a result of a modest rise in output coupled with a significant cutback in employee hours.

All of the measures for the nonfinancial corporate sector--which are preliminary--are summarized in table A and appear in detail in table 6. In addition to productivity, the measures include output, hours, hourly compensation, real hourly compensation, unit labor cost, and unit profit, as changed from the previous quarter and the same quarter of the previous year. All measures are at seasonally adjusted annual rates.

Table A. Productivity and costs in nonfinancial corporations:
Preliminary third-quarter 1982 measures
(Seasonally adjusted annual rates)

| Sector | Produc- tivity | Output | | Hourly compen- sation | Real hourly compen- sation | Unit labor cost | Unit profit |
|---|-------------------|--------|-------|-----------------------------|-------------------------------------|-----------------------|----------------|
| | | Output | Hours | | | | |
| Percent change from preceding quarter | | | | | | | |
| Nonfinancial corporations | 4.6 | 0.6 | -3.8 | 5.9 | -1.6 | 1.2 | 35.4 |
| Percent change from same quarter a year ago | | | | | | | |
| Nonfinancial corporations | 1.3 | -3.2 | -4.4 | 7.2 | 1.3 | 5.8 | -15.6 |

Note: The productivity and cost measures for the nonfinancial corporate sector contained in this press release are based on new information used to compute employment and hours in this sector. The changes affect data beginning in 1968. Copies of the revised measures are available on request from the Office of Productivity and Technology, Bureau of Labor Statistics, Washington, D.C. 20212; telephone (202) 523-9261.

Revised third-quarter measures of productivity and costs for the business, nonfarm business, and manufacturing sectors were also released today. These measures show larger increases in productivity than had been reported earlier, based on preliminary information. A comparison of the preliminary and revised measures is shown in table B.

Nonfinancial corporations

Productivity of nonfinancial corporations increased 4.6 percent in the third quarter of 1982, the largest increase since a gain of equal size was recorded during the first quarter of 1981. However, the earlier increase occurred while output and hours were both increasing, but the current gain reflected a 0.6 percent gain in output coupled with a 3.8 percent decline in employee-hours. This was the fourth consecutive decline in hours and employment in this sector. The rise in output was the first in a year (table 6).

Hourly compensation, which includes wages, salaries, supplements, employer contributions to employee benefit plans, and employment taxes increased 5.9 percent in the third quarter, the smallest rate of increase since the 5.6 percent rise in the third quarter of 1972. Real hourly compensation, which adjusts for the increase in the Consumer Price Index for All Urban Consumers, declined at an annual rate of 1.6 percent, the first decline in a year.

Unit labor cost, which shows the effect of changes in hourly compensation and productivity, increased 1.2 percent, compared with a 3.4 percent rise during the second quarter. This was the smallest quarterly increase in the series since the 1.3 percent decline in the third quarter of 1975.

Unit profits increased 35.4 percent during the third quarter, the first gain in this series in a year. Compared with the third quarter of 1981, unit profits have declined 15.6 percent.

The implicit price deflator, which reflects changes in unit labor cost, unit nonlabor cost, and unit profit, rose 4.6 percent during the third quarter. The second-quarter increase was 3.8 percent.

Revised measures

Revised productivity measures for the business, nonfarm business, and manufacturing sectors for the third quarter of 1982 show larger gains than had been reported earlier, based on preliminary data. As can be seen in table B, the larger productivity gains reflect an upward revision in the measure of third-quarter output, coupled with a smaller downward revision in hours.

For nonfinancial corporations, new factors for the computation of hours have been developed, based on the most current information available. Small changes will be noted in the quarterly movements beginning in 1968.

Table B.
 Preliminary and revised third quarter 1982 measures of productivity and cost:
 quarterly change at annual rate
 (Seasonally adjusted)

| Measure | Business sector | | Nonfarm business | | Manufacturing | |
|-----------------------------------|-----------------|---------|------------------|---------|---------------|---------|
| | Preliminary | Revised | Preliminary | Revised | Preliminary | Revised |
| Output per hour of all persons | 4.0 | 4.2 | 3.6 | 4.0 | 7.1 | 7.3 |
| Output | 1.4 | 1.7 | 0.7 | 1.2 | -1.9 | -1.5 |
| Hours | -2.5 | -2.4 | -2.8 | -2.7 | -8.5 | -8.1 |
| Hourly compen- sation | 6.2 | 6.1 | 6.6 | 6.6 | 6.5 | 6.2 |
| Real hourly compen- sation | -1.3 | -1.4 | -0.9 | -0.9 | -1.1 | -1.3 |
| Unit labor cost | 2.1 | 1.8 | 2.9 | 2.6 | -0.6 | -1.0 |

TECHNICAL NOTES

Nonfinancial corporate output is equal to gross national product less the rest-of-the-world sector, general government, unincorporated business, output of paid employees of private households and nonprofit institutions, rental value of dwellings, the output of corporations engaged in banking, finance, stock and commodity trading, and credit and insurance agencies, and the statistical discrepancy in computing the national income accounts. Nonfinancial corporate output has accounted for about 59 percent of gross national product in recent years.

The productivity and associated cost measures in this press release describe the relationship between output in real terms and the labor time involved in its production. They show the changes from period to period in the amount of goods and services produced per hour. Although these measures relate output to hours of all persons engaged in a sector, they do not measure the specific contributions of labor, capital, or any other factor of production. Rather, they reflect the joint effects of many influences, including changes in technology; capital investment; level of output; utilization of capacity, energy and materials; the organization of production; managerial skill; and characteristics and effort of the work force.

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PRODUCTIVITY AND COSTS
Fourth Quarter
and Annual Averages, 1982

Productivity, as measured by output per hour of all persons, increased at a 4.1 percent annual rate in the economy's business sector; 2.7 percent in the nonfarm portion of the business sector; and 0.4 percent in manufacturing during the fourth quarter of 1982, the Bureau of Labor Statistics of the U.S. Department of Labor reported today. The increases in productivity were accompanied by declines in both output and hours in all sectors.

For 1982 as a whole, productivity advanced slowly in the business and the nonfarm business sector, 0.4 percent and 0.2 percent, respectively, and these gains also resulted from a larger reduction in hours than in output. In manufacturing, output per hour of all persons fell by 1.0 percent as cutbacks in hours for the year failed to keep pace with the decline in output.

The fourth quarter gain in the business sector was the largest increase since the 5.6 percent gain during the first quarter of 1981. In the earlier case, however, output and hours were both rising.

All of these measures --which are preliminary-- are summarized in table A and appear in detail in tables 1-5. In addition to productivity, the measures include output, hours, hourly compensation, real hourly compensation, and unit labor cost, as changed from the previous quarter and the same quarter of the previous year. All measures are at seasonally adjusted annual rates.

A revised estimate of the productivity of nonfinancial corporations shows no change from the preliminary third-quarter increase of 4.6 percent (annual rate). Revised measures for this sector are summarized in table B and appear in greater detail in table 6.

-2-

Table A. Productivity and costs: preliminary fourth quarter and annual 1982 measures (seasonally adjusted annual rates).

| Sector | Productivity | Output | Hours | Hourly compensation | Real hourly compensation | Unit labor cost |
|---|--------------|--------|-------|---------------------|--------------------------|-----------------|
| Percent change from preceding quarter | | | | | | |
| Business | 4.1 | -2.5 | -6.4 | 6.0 | 3.3 | 1.8 |
| Nonfarm business | 2.7 | -3.8 | -6.3 | 6.0 | 3.3 | 3.2 |
| Manufacturing | 0.4 | -10.1 | -10.5 | 4.5 | 1.9 | 4.1 |
| Durable | 0.9 | -15.3 | -16.0 | 4.6 | 2.0 | 3.7 |
| Nondurable | -0.5 | -2.5 | -2.0 | 6.2 | 3.5 | 6.7 |
| Percent change from same quarter a year ago | | | | | | |
| Business | 2.0 | -1.6 | -3.5 | 6.6 | 2.0 | 4.5 |
| Nonfarm business | 1.9 | -1.7 | -3.5 | 6.6 | 2.0 | 4.6 |
| Manufacturing | 1.5 | -7.8 | -9.1 | 7.4 | 2.8 | 5.8 |
| Durable | 1.0 | -11.0 | -11.9 | 7.5 | 2.9 | 6.5 |
| Nondurable | 2.0 | -3.0 | -4.9 | 8.2 | 3.5 | 6.0 |
| Annual percent change, 1981 - 1982 | | | | | | |
| Business | 0.4 | -2.3 | -2.6 | 7.3 | 1.1 | 6.9 |
| Nonfarm business | 0.2 | -2.5 | -2.6 | 7.3 | 1.1 | 7.1 |
| Manufacturing | -1.0 | -8.9 | -7.9 | 8.5 | 2.2 | 9.6 |
| Durable | -1.8 | -11.2 | -9.6 | 8.6 | 2.3 | 10.5 |
| Nondurable | 0.0 | -5.3 | -5.2 | 8.9 | 2.6 | 9.0 |

Table B. Nonfinancial corporations: Preliminary and revised third-quarter productivity and cost measures, quarterly change at seasonally adjusted annual rate.

| Percent change | | | | | | | | |
|----------------|--------------|--------|-------|---------------------|--------------------------|-----------------|--------------|-------------------------|
| Item | Productivity | Output | Hours | Hourly compensation | Real hourly compensation | Unit labor cost | Unit profits | Implicit price deflator |
| Preliminary | 4.6 | 0.6 | -3.8 | 5.9 | -1.6 | 1.2 | 35.4 | 4.6 |
| Revised | 4.6 | 0.6 | -3.8 | 5.9 | -1.6 | 1.2 | 40.8 | 4.7 |

MOVEMENTS FROM THE THIRD TO FOURTH QUARTER 1982Business sector

The 4.1 percent productivity increase in the fourth quarter of 1982 in the business sector was higher than the 3.6 percent rise during the third quarter. The fourth quarter increase reflected a 2.5 percent drop in output coupled with a 6.4 percent decline in hours. Employment declined 3.9 percent—the fifth consecutive quarterly drop and the largest since the 4.3 percent decline in the second quarter of 1980. The length of the average work week declined 2.5 percent.

Hourly compensation, which includes employer expenditures for wages and salaries as well as payments for social security, private pension and health plans, and other employee benefits, increased at a 6.0 percent annual rate, the smallest increase in this major cost item since the 5.0 percent gain recorded during the third quarter of 1972. During the third quarter of 1982, these cost rose 6.1 percent.

Real hourly compensation, which is adjusted for the increase in the Consumer Price Index for All Urban Consumers (CPI-U), increased 3.3 percent in the fourth quarter, compared with a 1.4 percent decline during the third quarter.

Unit labor cost (compensation per unit of output) shows the effect of changes in hourly compensation and productivity. During the fourth quarter, unit labor cost rose 1.8 percent, the slowest rise in this measure since the 1.7 percent gain during the first quarter of 1977. During the third quarter of 1982, unit labor cost rose 2.4 percent.

The implicit price deflator—which measures price change in a sector and reflects changes in unit labor cost and unit nonlabor payments—increased at a 3.5 percent annual rate in the fourth quarter, compared with a 4.4 percent increase during the third quarter. This was the smallest quarterly increase in the implicit price deflator since the 3.0 percent increase during the second quarter of 1976.

Nonfarm business sector

Productivity advanced more slowly in the nonfarm business sector than in the more comprehensive business sector (which includes farming). The 2.7 percent gain in nonfarm output per hour of all persons reflects a 3.8 percent decline in output and a 6.3 percent reduction in hours (annual rates). The reduction in hours was the fifth in a row, and the largest since the 12.0 percent decline during the first quarter of 1975. During the third quarter of 1982, productivity increased 3.4 percent.

Hourly compensation increased 6.0 percent in nonfarm business, the smallest quarterly gain in 10 years. In real terms, hourly compensation increased 3.3 percent in the fourth quarter, compared with a 0.9 percent decline during the third quarter of 1982.

Unit labor cost increased 3.2 percent in the fourth quarter, compared with a 3.1 percent rise one quarter earlier. Although hourly compensation rose less in the fourth quarter, the increase in unit labor cost reflected a greater falloff of productivity growth.

The implicit price deflator rose 5.1 percent in the nonfarm business sector, compared with a 4.9 percent rise during the third quarter (seasonally adjusted annual rates).

Manufacturing

Productivity increased by 0.4 percent in the fourth quarter in manufacturing, as output and hours declined 10.1 and 10.5 percent, respectively. Both output and hours have declined in each of the past 6 quarters, but productivity has gone up for the past 3 quarters because of the more rapid declines in hours.

Hourly compensation increased at a 4.5 percent annual rate in the fourth quarter, the smallest increase in manufacturing since the 4.3 percent gain posted during the second quarter of 1978. During the third quarter, hourly compensation rose 6.2 percent. Real hourly compensation increased 1.9 percent, compared with a 1.3 percent drop during the third quarter. Unit labor cost rose 4.1 percent, compared with a 1.0 percent decline during the third quarter. The increase in manufacturing productivity was entirely due to gains in durables, where the cutbacks in output and hours were the most severe. Productivity rose in nondurables, and the reductions in output and hours were smaller (tables 4 and 5).

SUMMARY OF ANNUAL PRODUCTIVITY AND COST MOVEMENTS: 1982Private Business

Productivity increased 0.4 percent in private business from 1981 to 1982, compared with a 1.8 percent rise in 1981. The small advance in productivity occurred as output declined 2.3 percent and hours of all persons engaged in the sector fell 2.6 percent. Hourly compensation increased 7.3 percent in 1982, compared with a 9.6 percent gain during 1981. This was the smallest gain in hourly compensation in 10 years. After allowing for the increase in the CPI-U, real hourly compensation increased 1.1 percent in 1982. Real hourly compensation declined in 1979-1981.

Unit labor cost increased 6.9 percent in 1982, compared with a 7.7 percent rise during 1981. Prices rose 5.5 percent in 1982, compared with a 9.5 percent increase during 1981.

Nonfarm business

Productivity edged up 0.2 percent from 1981 to 1982 in nonfarm business as output declined 2.5 percent and hours of all persons fell 2.6 percent. From

1980 to 1981, productivity rose 1.4 percent and both output and hours increased. Hourly compensation increased 7.3 percent in nonfarm business, the smallest annual rise since the 6.7 percent increase during 1972. Real hourly compensation rose for the first time since 1978, largely reflecting the slower growth in the CPI-U during 1982. The 1.1 percent gain in real hourly compensation was the largest advance since the 2.2 percent gain during 1976. Unit labor cost rose 7.1 percent during 1982, the smallest annual rise since the 5.2 percent gain in 1977. Prices of the goods and services which comprise nonfarm business output rose 5.9 percent in 1982, compared with a 9.7 percent increase during 1981. The 1982 increase was the smallest since the 5.7 percent gain in 1977.

Manufacturing

The manufacturing sector accounts for about 24 percent of business employment. During 1982, productivity in manufacturing declined 1.0 percent, as output dropped 8.9 percent and hours of all persons fell 7.9 percent. During 1981, productivity advanced 2.8 percent. Declines in output and hours occurred among both durable and nondurable goods manufacturers; productivity fell in durables and was unchanged from 1981 levels in nondurables. Hourly compensation rose 8.5 percent in all of manufacturing, and real hourly compensation increased 2.2 percent. Unit labor cost rose 9.6 percent, compared with a 7.2 percent rise during 1981.

Table C contains annual changes in productivity, output, and hours since 1972.

Table C. Annual changes in productivity, output, and hours.

| Measure | 1972 | 1973 | 1974 | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 | 1981 | 1982 |
|------------------|------|------|------|------|------|------|------|------|------|------|------|
| PRIVATE BUSINESS | | | | | | | | | | | |
| Productivity | 3.5 | 2.6 | -2.4 | 2.2 | 3.3 | 2.4 | 0.6 | -0.9 | -0.7 | 1.8 | 0.4 |
| Output | 6.6 | 6.6 | -2.0 | -2.0 | 6.4 | 6.6 | 5.5 | 2.3 | -1.5 | 2.5 | -2.3 |
| Hours | 3.0 | 3.9 | 0.4 | -4.1 | 3.0 | 4.1 | 4.9 | 3.2 | -0.7 | 0.7 | -2.6 |
| NONFARM BUSINESS | | | | | | | | | | | |
| Productivity | 3.7 | 2.4 | -2.5 | 2.0 | 3.2 | 2.2 | 0.6 | -1.3 | -0.9 | 1.4 | 0.2 |
| Output | 6.9 | 6.8 | -2.1 | -2.2 | 6.7 | 6.7 | 5.7 | 2.2 | -1.5 | 2.2 | -2.5 |
| Hours | 3.1 | 4.3 | 0.5 | -4.1 | 3.4 | 4.4 | 5.0 | 3.5 | -0.7 | 0.7 | -2.6 |
| MANUFACTURING | | | | | | | | | | | |
| Productivity | 5.0 | 5.4 | -2.4 | 2.9 | 4.4 | 2.5 | 0.9 | 0.7 | 0.2 | 2.8 | -1.0 |
| Output | 9.6 | 11.2 | -4.2 | -7.1 | 9.6 | 6.9 | 5.3 | 2.7 | -4.3 | 2.3 | -8.9 |
| Hours | 4.3 | 5.5 | -1.9 | -9.7 | 4.9 | 4.2 | 4.4 | 2.0 | -4.5 | -0.5 | -7.9 |

REVISED MEASURES

The Bureau of Labor Statistics also reported revised measures for the third quarter of 1982 for the nonfinancial corporate sector. As can be seen from table B, the revised measures announced today show little change from the preliminary measures published on November 29, 1982.

TECHNICAL NOTES

Business sector output is equal to gross national product less the rest-of-the-world sector, general government, output of paid employees of private households and nonprofit institutions, rental value of owner-occupied dwellings, and the statistical discrepancy in computing the national income accounts. Corresponding exclusions are also made in employment. Business output has accounted for about 77 percent of gross national product in recent years.

Total manufacturing measures are computed by summing series prepared for the durable and nondurable goods sectors.

The durable sector includes the following 2-digit SIC industries: Primary metal; fabricated metal products; nonelectrical machinery; electrical machinery; transportation equipment; instruments; lumber and lumber products; furniture and fixtures; stone, clay, and glass products; and miscellaneous manufactures. The nondurable sector includes the following 2-digit SIC industries: Textile mill products; apparel products; leather and leather products; printing and publishing; chemicals and chemical products; petroleum products; rubber and plastic products; foods; and tobacco products.

Manufacturing output has accounted for about 24 percent of gross national product in recent years.

Nonfinancial corporate output is equal to gross national product, less the rest-of-the-world sector, general government, unincorporated business, output of paid employees of private households and nonprofit institutions, rental value of owner-occupied dwellings, the output of corporations engaged in banking, finance, stock and commodity trading, and credit and insurance agencies, and the statistical discrepancy in computing the national income accounts. Nonfinancial corporate output has accounted for about 59 percent of gross national product in recent years.

The productivity and associated cost measures in this press release describe the relationship between output in real terms and the labor time involved in its production. They show the changes from period to period in the amount of goods and services produced per hour. Although these measures relate output to hours of all persons engaged in a sector, they do not measure the specific contributions of labor, capital, or any other factor of production. Rather, they reflect the joint effects of many influences, including changes in technology; capital investment; level of output; utilization of capacity, energy and materials; the organization of production; managerial skill; and the characteristics and effort of the work force.

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Tuesday, March 1, 1983

PRODUCTIVITY AND COSTS
Nonfinancial Corporate Sector
Annual Data 1982

Productivity, as measured by output per hour of all employees, increased 1.0 percent in the nonfinancial corporate sector during 1982, according to preliminary measures announced today by the Bureau of Labor Statistics of the U.S. Department of Labor. However, the gain in productivity for the year reflected declines in both output and hours. (See table A.) The nonfinancial corporate sector includes all corporations doing business in the United States, with the exception of banks, stock and commodity brokers, and finance and insurance agencies, and accounted for about two-thirds of business employment during 1982 -- nearly 55 million persons.

Other 1982 annual changes in productivity were:

0.4 percent in the business sector,
0.1 percent in nonfarm business,
-1.0 percent in manufacturing as a whole,
-1.8 percent in durable manufacturing, and
0.0 percent in nondurable manufacturing.

Preliminary 1982 annual productivity movements in these sectors were reported first on January 26; the revised measures above appear in detail in tables 1-5. Revised fourth quarter productivity and cost measures for the business, nonfarm business, and manufacturing sectors also were announced today; a summary appears in table B; preliminary and revised values are compared in table C.

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Table A. Productivity and costs in nonfinancial corporations:
Percent change from previous year

| Year | Productivity | Output | Hours | Hourly compensation | Real hourly compensation | Unit labor cost | Unit nonlabor payments | Unit profits |
|-------|--------------|--------|-------|---------------------|--------------------------|-----------------|------------------------|--------------|
| 1973 | 2.4 | 7.9 | 5.4 | 7.5 | 1.2 | 4.9 | 1.5 | 0.2 |
| 1974 | -3.7 | -3.2 | 0.5 | 9.4 | -1.5 | 13.6 | 7.1 | -16.4 |
| 1975 | 2.9 | -2.0 | -4.7 | 9.6 | 0.4 | 6.5 | 20.1 | 38.1 |
| 1976 | 2.9 | 7.4 | 4.3 | 7.9 | 2.0 | 4.9 | 4.6 | 16.0 |
| 1977 | 1.8 | 6.7 | 4.9 | 7.6 | 1.1 | 5.7 | 5.3 | 13.1 |
| 1978 | 0.9 | 6.3 | 5.4 | 8.5 | 0.8 | 7.5 | 4.2 | 3.2 |
| 1979 | -0.2 | 3.5 | 3.7 | 9.4 | -1.7 | 9.6 | 2.6 | -8.4 |
| 1980 | -0.4 | -1.8 | -1.4 | 10.3 | -2.9 | 10.7 | 10.1 | -7.1 |
| 1981 | 1.7 | 2.4 | 0.7 | 9.6 | -0.7 | 7.8 | 14.6 | 15.6 |
| p1982 | 1.0 | -2.8 | -3.7 | 7.4 | 1.2 | 6.4 | 4.2 | -14.2 |

Nonfinancial corporations

Productivity rose 1.0 percent in nonfinancial corporations as output fell 2.8 percent and employee-hours declined 3.7 percent in 1982. A year earlier, productivity advanced 1.7 percent and output and hours both increased. The decline in hours in 1982 reflected a 2.5 percent decrease in employment and a 1.2 percent cutback in the length of the average workweek. The cuts in employment and average weekly hours were the largest since 1975.

Hourly compensation, which includes employer outlays for wages and salaries, supplements, and employee-benefit plans, rose 7.4 percent during 1982, the smallest gain in this series since the 5.7 percent gain in 1972. Real hourly compensation, which is adjusted for changes in the Consumer Price Index for All Urban Consumers, increased 1.2 percent in 1982, compared with a 0.7 percent decline during 1981. This was the first annual increase in real hourly compensation in this sector since 1978.

Unit labor cost--compensation per unit of output-- rose 6.4 percent in 1982, compared with a 7.8 percent gain during 1981. Unit nonlabor payments, which include capital consumption allowances, net interest, indirect business taxes, and profits, rose 4.2 percent in 1982, compared with a 14.6 percent rise in 1981. The deceleration of both unit labor cost and unit nonlabor payments was reflected in the slower growth of the implicit price deflator, which increased 5.7 percent in 1982, compared with a 10.0 percent rise during 1981.

Unit profits declined 14.2 percent in 1982, compared with a 15.6 percent rise during 1981. Unit profits in 1982 were lower than for any year since 1975.

Table B. Productivity and costs: Percent change at annual rate
(Seasonally adjusted)

| Sector | Productivity | Output | Hours | Hourly compensation | Real hourly compensation | Unit labor cost |
|--|--------------|--------|-------|---------------------|--------------------------|-----------------|
| <u>Revised</u> | | | | | | |
| Third quarter 1982 to fourth quarter 1982 | | | | | | |
| Business | 4.1 | -1.7 | -5.6 | 5.6 | 2.9 | 1.4 |
| Nonfarm business | 2.0 | -3.6 | -5.5 | 5.6 | 2.9 | 3.5 |
| Manufacturing | 0.5 | -10.0 | -10.5 | 4.5 | 1.9 | 3.9 |
| Durable | 0.8 | -15.4 | -16.1 | 4.5 | 1.8 | 3.6 |
| Nondurable | -0.2 | -2.0 | -1.8 | 6.4 | 3.8 | 6.7 |
| 1981 to 1982 annual averages | | | | | | |
| Business | 0.4 | -2.2 | -2.6 | 7.3 | 1.1 | 6.9 |
| Nonfarm business | 0.1 | -2.4 | -2.6 | 7.2 | 1.0 | 7.1 |
| Manufacturing | -1.0 | -8.8 | -7.9 | 8.5 | 2.2 | 9.6 |
| Durable | -1.8 | -11.2 | -9.6 | 8.5 | 2.3 | 10.5 |
| Nondurable | 0.0 | -5.2 | -5.2 | 8.9 | 2.6 | 8.9 |
| Fourth quarter 1981 to fourth quarter 1982 | | | | | | |
| Business | 2.0 | -1.4 | -3.3 | 6.5 | 1.9 | 4.4 |
| Nonfarm business | 1.7 | -1.7 | -3.3 | 6.5 | 1.9 | 4.7 |
| Manufacturing | 1.5 | -7.7 | -9.1 | 7.4 | 2.8 | 5.8 |
| Durable | 1.0 | -11.0 | -11.9 | 7.4 | 2.8 | 6.4 |
| Nondurable | 2.1 | -2.8 | -4.8 | 8.2 | 3.6 | 6.0 |

Revised fourth quarter measures for the business and manufacturing sectors

The Bureau of Labor Statistics also released revised fourth quarter 1982 measures today for the business, nonfarm business, and manufacturing sectors. Reflecting the revised output and compensation measures prepared by the Bureau of Economic Analysis of the U.S. Department of Commerce, and the latest information on employment and average weekly hours from the BLS, the revised measures show that productivity increased 4.1 percent in business, 2.0 percent in nonfarm business, and 0.5 percent in manufacturing. Preliminary and revised measures are compared in table C. Although the increase in nonfarm productivity in the fourth quarter was revised downward, the business sector productivity increase was unchanged in the revised measures, partly reflecting an upward revision in farm output in the most recent data.

Table C. Preliminary and revised productivity and related measures,
fourth quarter 1982:
Percent change from previous quarter at annual rate
(Seasonally adjusted)

| Sector | Productivity | Output | Hours | Hourly compensation | Real hourly compensation | Unit labor cost |
|--------------------------|--------------|--------|-------|---------------------|--------------------------|-----------------|
| Business: | | | | | | |
| Preliminary | 4.1 | -2.5 | -6.4 | 6.0 | 3.3 | 1.8 |
| Revised | 4.1 | -1.7 | -5.6 | 5.6 | 2.9 | 1.4 |
| Nonfarm business: | | | | | | |
| Preliminary | 2.7 | -3.8 | -6.3 | 6.0 | 3.3 | 3.2 |
| Revised | 2.0 | -3.6 | -5.5 | 5.6 | 2.9 | 3.5 |
| Manufacturing: | | | | | | |
| Preliminary | 0.4 | -10.1 | -10.5 | 4.5 | 1.9 | 4.1 |
| Revised | 0.5 | -10.0 | -10.5 | 4.5 | 1.9 | 3.9 |

TECHNICAL NOTES

Business sector output is equal to gross national product less the rest-of-the-world sector, general government, output of paid employees of private households and nonprofit institutions, rental value of owner-occupied dwellings, and the statistical discrepancy in computing the national income accounts. Corresponding exclusions are also made in employment. Business output has accounted for about 77 percent of gross national product in recent years.

Total manufacturing measures are computed by summing series prepared for the durable and nondurable goods sectors.

The durable sector includes the following 2-digit SIC industries: Primary metal; fabricated metal products; nonelectrical machinery; electrical machinery; transportation equipment; instruments; lumber and lumber products; furniture and fixtures, stone, clay, and glass products; and miscellaneous manufactures. The nondurable sector includes the following 2-digit SIC industries: Textile mill products, apparel products, leather and leather products, printing and publishing, chemicals and chemical products, petroleum products, rubber and plastic products, foods, and tobacco products.

Manufacturing output has accounted for about 24 percent of gross national product in recent years.

Nonfinancial corporate output is equal to gross national product less the rest-of-the-world sector, general government, unincorporated business, output of paid employees of private households and nonprofit institutions, rental value of owner-occupied dwellings, the output of corporations engaged in banking, finance, stock and commodity trading, and credit and insurance agencies, and the statistical discrepancy in computing the national income accounts. Nonfinancial corporate output has accounted for about 59 percent of gross national product in recent years.

The productivity and associated cost measures in this press release describe the relationship between output in real terms and the labor time involved in its production. They show the changes from period to period in the amount of goods and services produced per hour. Although these measures relate output to hours of all persons engaged in a sector, they do not measure the specific contributions of labor, capital, or any other factor of production. Rather, they reflect the joint effects of many influences, including changes in technology; capital investment; level of output; utilization of capacity, energy, and materials; the organization of production; managerial skill; and the characteristics and effort of the work force.

News

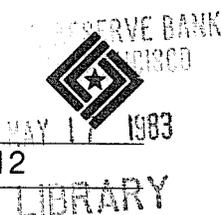
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PRODUCTIVITY AND COSTS

Private Business, Nonfarm Business, and Manufacturing Sectors
First Quarter 1983

Productivity, as measured by output per hour of all persons, increased during the first quarter of 1983 in all of the sectors of the economy for which the Bureau of Labor Statistics (BLS) of the U.S. Department of Labor prepares quarterly measures. Output and hours advanced in every sector, and unit labor cost increases slowed.

The business sector, the broadest BLS measure showed that productivity advanced at a 2.2 percent annual rate. This was the first quarter during which productivity, output, and hours all increased in this sector since the third quarter of 1981.

Other first-quarter productivity measures showed increases at these annual rates:

- 4.8 percent in the nonfarm business sector,
- 7.1 percent in manufacturing as a whole,
- 8.4 percent in durable goods manufacturing, and
- 5.5 percent in nondurable goods manufacturing.

All of these measures --which are preliminary-- are summarized in table A and appear in detail in tables 1-5. In addition to productivity, the measures include output, hours, hourly compensation, real hourly compensation, and unit labor cost, as changed from the previous quarter and the same quarter of the previous year. All data are at a seasonally adjusted annual rate. For nonfinancial corporations, revised annual as well as fourth-quarter measures for 1982 also were released today. (See table B.)

Business sector

Although the 2.2 percent productivity gain during the first quarter of 1983 was smaller than the 2.6 percent rise during the fourth quarter of 1982, the first-quarter advance reflected gains in both output and hours (4.6 percent and 2.3 percent, respectively), while during the fourth quarter last year both of these underlying series were declining (-3.0 percent and -5.5 percent, respectively). The first-quarter increase in output was the largest since the 7.9 percent increase during the first quarter of 1981, and the increase in hours was the largest since the 4.7 percent gain during the fourth quarter of 1980 (seasonally adjusted annual rates). The increase in hours in part reflected the first increase in employment since the third quarter of 1981.

Table A. Productivity and costs: Percent change at annual rate (Seasonally adjusted)

| Sector | Productivity | Output | Hours | Hourly compensation | Real hourly compensation | Unit labor cost |
|---|--------------|--------|-------|---------------------|--------------------------|-----------------|
| PRELIMINARY | | | | | | |
| Fourth quarter 1982 to first quarter 1983 | | | | | | |
| Business | 2.2 | 4.6 | 2.3 | 4.7 | 5.1 | 2.4 |
| Nonfarm business | 4.8 | 6.2 | 1.4 | 6.1 | 6.5 | 1.3 |
| Manufacturing | 7.1 | 10.3 | 3.0 | 6.3 | 6.7 | -0.8 |
| Durable | 8.4 | 13.5 | 4.7 | 6.0 | 6.5 | -2.2 |
| Nondurable | 5.5 | 6.0 | 0.6 | 6.2 | 6.6 | 0.7 |
| First quarter 1982 to first quarter 1983 | | | | | | |
| Business | 2.5 | 0.8 | -1.6 | 5.8 | 2.1 | 3.3 |
| Nonfarm business | 2.3 | 0.5 | -1.7 | 6.1 | 2.4 | 3.6 |
| Manufacturing | 4.0 | -1.7 | -5.5 | 6.2 | 2.5 | 2.1 |
| Durable | 4.5 | -3.5 | -7.7 | 6.4 | 2.7 | 1.8 |
| Nondurable | 3.2 | 0.8 | -2.3 | 6.5 | 2.8 | 3.2 |

Table B. Nonfinancial corporations: Preliminary and revised fourth quarter and annual productivity and cost measures, quarterly change at seasonally adjusted annual rate

| Percent change | Productivity | Output | Hours | Hourly compensation | Real hourly compensation | Unit labor cost | Unit profits | Implicit price deflator |
|--|--------------|--------|-------|---------------------|--------------------------|-----------------|--------------|-------------------------|
| | | | | | | | | |
| Preliminary | | | | | | | | |
| Third quarter 1982 to fourth quarter 1982 | 0.4 | -6.3 | -6.7 | 5.4 | 3.3 | 5.0 | -25.9 | 4.2 |
| Fourth quarter 1982 to fourth quarter 1983 | 2.0 | -2.9 | -4.8 | 6.5 | 1.9 | 4.4 | -14.8 | 3.9 |
| Revised | | | | | | | | |
| 1983 annual average | 0.8 | -2.9 | -3.7 | 7.4 | 1.2 | 6.6 | -16.0 | 5.7 |

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Hourly compensation, which includes employer expenditures for wages and salaries as well as payments for social security, private pension and health plans, and other employee benefits, increased 4.7 percent in the first quarter, the smallest rise since the 2.1 percent gain during the fourth quarter of 1971. During the fourth quarter of 1982, these costs rose 5.5 percent. The rise in the measures of hourly compensation for the first quarter of 1983 in this news release partly reflects mandated increases in social security taxes, which went into effect on January 1, 1983. Although the tax rate remained unchanged—at 6.7 percent—the taxable earnings base increased from \$32,400 to \$35,700.

Real hourly compensation, which is adjusted for the change in the Consumer Price Index for All Urban Consumers (CPI-U), increased 5.1 percent in the first quarter of 1983, the largest increase recorded in this series since the first of 1976. The larger increase in real hourly compensation than hourly compensation reflects the fact that the quarterly average of seasonally adjusted monthly indexes of the CPI-U was lower in the first quarter of 1983 than in fourth quarter of 1982. This was first quarterly price drop since 1961.

Unit labor cost (compensation per unit of output) shows the effect of increases in hourly compensation and the offsetting effect of productivity gains. During the first quarter, unit labor cost increased 2.4 percent, compared with a 2.9 percent rise during the fourth quarter of 1982.

The implicit price deflator—which measures price change in a sector and reflects changes in unit labor cost and unit nonlabor payments combined—increased at a 5.9 percent annual rate during the first quarter of 1983. During the fourth quarter of 1982, prices rose 2.7 percent in the private business sector.

Nonfarm business sector

Productivity increased at a 4.8 percent annual rate in the nonfarm business sector during the first quarter of 1983, compared with a 0.4 percent rise in the fourth quarter of 1982. This was the fastest quarterly rise in 2 years. (During the first quarter of 1981, productivity rose 4.9 percent in this sector.) This also was the first time productivity, output, and hours all increased together in 2 years. Although hours increased during the first quarter of 1983, the gain reflected a longer workweek (up 1.4 percent) since employment dropped for the sixth consecutive quarter. However, the 0.1 percent decline was the smallest downward movement since the cutbacks began in the fourth quarter of 1981. During the 6-quarter period, employment fell 3.1 percent—about 2.4 million jobs.

Hourly compensation rose 6.1 percent during the first quarter of 1983, compared with a 5.5 percent increase during the fourth quarter of 1982. Real hourly compensation increased at a 6.5 percent annual rate, the largest increase in this series since the 6.9 percent rise during the first quarter of 1972.

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Unit labor cost rose only 1.3 percent in the first quarter, the smallest increase in this series since the 1.0 percent gain in the first quarter of 1977. Although hourly compensation increased faster in the first quarter than in the fourth quarter of 1982, unit labor cost increased more slowly, partly reflecting the much faster growth of productivity.

Prices rose 5.2 percent in the nonfarm business sector during the first quarter, compared with a 4.5 percent increase during the fourth quarter of 1982.

Manufacturing

Productivity increased at a 7.1 percent annual rate in the first quarter in manufacturing, as output increased 10.3 percent and hours rose 3.0 percent. Both output and hours had declined for the 6 previous quarters in this sector. As in the nonfarm business sector, the gain in hours resulted entirely from an increase in average weekly hours; employment has now declined for 7 quarters.

Hourly compensation increased 6.3 percent in the first quarter of 1983, compared with a 4.5 percent rise during the fourth quarter of 1982. After allowing for the change in the CPI-U, real hourly compensation increased 6.7 percent in manufacturing. Unit labor cost dropped 0.8 percent in the first quarter of 1983, the first decline in this measure since the 1.0 percent drop during the third quarter of 1982.

Fourth-quarter measures for nonfinancial corporations

Fourth-quarter 1982 productivity and cost measures were also announced today for the nonfinancial corporate sector, together with revised annual movements. (See table B.) Output per all-employee hour increased 0.4 percent in the fourth quarter of 1982, as output fell 6.3 percent and employee hours declined 6.7 percent. This was the largest decline in hours since an 8.3 percent decline in the second quarter of 1980. Hourly compensation rose 5.4 percent, real hourly compensation rose 3.3 percent, and unit labor cost increased 5.0 percent (seasonally adjusted annual rates). Unit profit declined 25.9 percent, and the implicit price deflator rose at a 4.2 percent annual rate in the fourth quarter of 1982. See table 3.

Revised seasonally adjustment factors

All of the quarterly labor input measures contained in this release are based on the most recent seasonal adjustment factors, which incorporate data through December 1982. The seasonal factors used in adjusting the CPI-U also were updated.

TECHNICAL NOTES

Business sector output is equal to gross national product less the rest-of-the-world sector, general government, output of paid employees of private households and nonprofit institutions, rental value of owner-occupied dwellings, and the statistical discrepancy in computing the national income accounts. Corresponding exclusions are also made in labor inputs. Business output has accounted for about 77 percent of gross national product in recent years.

Total manufacturing measures are computed by summing series prepared for the durable and nondurable goods sectors.

The durable sector includes the following 2-digit SIC industries: Primary metal; fabricated metal products; nonelectrical machinery; electrical machinery; transportation equipment; instruments; lumber and lumber products; furniture and fixtures; stone, clay, and glass products; and miscellaneous manufactures. The nondurable sector includes the following 2-digit SIC industries: Textile mill products, apparel products, leather and leather products, printing and publishing, chemicals and chemical products, petroleum products, rubber and plastic products, foods, and tobacco products.

Manufacturing output has accounted for about 24 percent of gross national product in recent years.

Nonfinancial corporate output is equal to gross national product less the rest-of-the-world sector, general government, unincorporated business, output of paid employees of private households and nonprofit institutions, rental value of owner-occupied dwellings, the output of corporations engaged in banking, finance, stock and commodity trading, and credit and insurance agencies, and the statistical discrepancy in computing the national income accounts. Nonfinancial corporate output has accounted for about 59 percent of gross national product in recent years.

The productivity and associated cost measures in this new release describe the relationship between output in real terms and the labor time involved in its production. They show the changes from period to period in the amount of goods and services produced per hour. Although these measures relate output to hours of all persons engaged in a sector, they do not measure the specific contributions of labor, capital, or any other factor of production. Rather, they reflect the joint effects of many influences, including changes in technology; capital investment; level of output; utilization of capacity, energy, and materials; the organization of production; managerial skill; and the characteristics and effort of the work force.

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PRODUCTIVITY AND COSTS
Nonfinancial Corporate Sector
First Quarter 1983

Productivity, as measured by output per hour of all employees, increased 4.6 percent in the nonfinancial corporate sector during the first quarter of 1983, according to preliminary measures announced today by the Bureau of Labor Statistics (BLS) of the U.S. Department of Labor. Updated first-quarter productivity and cost measures for the business, nonfarm business, and manufacturing sectors were also announced today. A summary appears in table B; details are found in tables 1-5. There was no change in the 2.2 percent reported growth of productivity in the business sector, and little difference in the measure for the nonfarm business sector (4.8 percent versus 4.7 percent). In manufacturing, the updated measures show faster productivity growth than had been reported last month, on the basis of preliminary information.

Nonfinancial corporations

The 4.6 percent productivity increase in the nonfinancial corporate sector reflected a 6.3 percent increase in output coupled with a 1.6 percent increase in employee-hours. During the fourth quarter of 1982, productivity in this sector rose 0.4 percent as output declined 6.3 percent and hours dipped 6.7 percent. (See table A.)

The first-quarter output rise was the largest since a 7.4 percent increase was recorded in the first quarter of 1981, and the increase in employee-hours ended 5 quarters of continuous decline in this sector. All of the figures are seasonally adjusted and at annual rates. The nonfinancial corporate sector includes all corporations doing business in the United States, with the exception of banks, stock and commodity brokers, and finance and insurance agencies, and accounted for about two-thirds of business employment during 1982 -- nearly 55 million persons.

Table A. Productivity and costs in nonfinancial corporations:
Preliminary first-quarter 1983 measures
(Seasonally adjusted annual rates)

| Sector | Productivity | Output | Hours | Hourly compensation | Real hourly compensation | Unit labor cost | Unit profits |
|---|--------------|--------|-------|---------------------|--------------------------|-----------------|--------------|
| Fourth quarter 1982 to first quarter 1983 | | | | | | | |
| Nonfinancial corporations | 4.6 | 6.3 | 1.6 | 5.4 | 5.8 | 0.8 | 95.4 |
| First quarter 1982 to first quarter 1983 | | | | | | | |
| Nonfinancial corporations | 3.1 | -0.1 | -3.0 | 5.7 | 2.0 | 2.6 | 14.1 |

Table B. Productivity and costs: Percent change at annual rate
(Seasonally adjusted)

| Sector | Productivity | Output | Hours | Hourly compensation | Real hourly compensation | Unit labor cost |
|---|--------------|--------|-------|---------------------|--------------------------|-----------------|
| REVISED | | | | | | |
| Fourth quarter 1982 to first-quarter 1983 | | | | | | |
| Business | 2.2 | 4.7 | 2.4 | 4.6 | 5.0 | 2.3 |
| Nonfarm business | 4.7 | 6.2 | 1.4 | 6.0 | 6.4 | 1.2 |
| Manufacturing | 8.3 | 11.8 | 3.3 | 6.8 | 7.2 | -1.4 |
| Durable | 9.1 | 14.8 | 5.2 | 6.4 | 6.8 | -2.4 |
| Nondurable | 7.4 | 7.9 | 0.5 | 6.9 | 7.3 | -0.5 |
| First quarter 1982 to first quarter 1983 | | | | | | |
| Business | 2.5 | 0.8 | -1.6 | 5.8 | 2.1 | 3.2 |
| Nonfarm business | 2.3 | 0.5 | -1.7 | 6.0 | 2.3 | 3.6 |
| Manufacturing | 4.3 | -1.4 | -5.5 | 6.3 | 2.6 | 1.9 |
| Durable | 4.7 | -3.3 | -7.6 | 6.5 | 2.8 | 1.8 |
| Nondurable | 3.7 | 1.3 | -2.3 | 6.7 | 2.9 | 2.9 |

Compensation and labor cost for nonfinancial corporations

Hourly compensation increased 5.4 percent for all employees in the nonfinancial corporate sector during the first quarter of 1983, matching the gain during the fourth quarter of 1982. (Hourly compensation measures employer payments for wages and salaries, supplements, employer contributions to employee benefit plans, and taxes.) The first-quarter increase partly reflects increases in employer social security payments, which went into effect January 1.

Real hourly compensation--hourly compensation adjusted for changes in the Consumer Price Index for All Urban Consumers (CPI-U)--increased at a 5.8 percent annual rate during the first quarter, compared with a 3.3 percent rise during the fourth quarter of 1982. The difference between the fourth- and first-quarter increases in real hourly compensation entirely reflects the decline in the CPI-U during the first quarter. The first-quarter increase was in largest gain in real hourly compensation in this sector since the first quarter of 1960, when a 7.3 percent increase was recorded.

Unit labor cost --compensation per unit of output-- rose 0.8 percent during the first quarter, the smallest increase in this important cost measure since the 1.3 percent decline during the third quarter of 1975. Unit nonlabor cost declined 2.0 percent (the first decline in this measure since the second quarter of 1977), and unit profit rose 95.4 percent. The increase in unit profit was the largest since the 116.6 percent rise during the third quarter of 1975.

Prices in the nonfinancial corporate sector rose 4.7 percent during the first quarter of 1983, compared with a 4.2 percent increase during the fourth quarter of 1982. Changes in this series --the implicit price deflator for nonfinancial corporate output-- reflect the combined effect of changes in unit labor cost, unit nonlabor cost, and unit profit. The implicit price deflator and its components are shown in table C from 1978 forward.

Table C. Indexes of price, cost, and profit
Nonfinancial corporations
(1977=100)

| Measure | 1978 | 1979 | 1980 | 1981 | 1982 | 1982 | | | | 1983 |
|-------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | | | | | | I | II | III | IV | |
| Implicit price deflator | 106.4 | 114.1 | 126.1 | 138.6 | 146.5 | 144.3 | 145.6 | 147.3 | 148.8 | 150.5 |
| Total unit cost | 106.8 | 116.6 | 131.0 | 143.4 | 154.4 | 151.8 | 153.8 | 154.8 | 157.3 | 157.3 |
| Unit labor cost | 107.5 | 117.8 | 130.5 | 140.6 | 149.9 | 148.3 | 149.5 | 150.0 | 151.8 | 152.1 |
| Unit nonlabor cost | 104.6 | 113.0 | 132.5 | 151.4 | 167.2 | 161.8 | 166.0 | 168.3 | 172.9 | 172.1 |
| Unit profit | 103.2 | 94.5 | 87.9 | 101.6 | 85.3 | 86.1 | 82.3 | 89.6 | 83.1 | 98.3 |

Comparing the first quarter of 1983 and the first quarter of 1982, productivity increased 3.1 percent, as output declined 0.1 percent and employee-hours dropped 3.0 percent. Hourly compensation rose 5.7 percent, unit labor cost rose 2.6 percent, and real hourly compensation increased 2.0 percent. Profit per unit of output increased 14.1 percent, and the implicit price deflator rose 4.3 percent.

Updated measures for business, nonfarm business and manufacturing

Revised output and labor input measures had no effect on the productivity measure reported on April 26 for the business sector and had little effect on the nonfarm business sector, but made a more substantial difference in manufacturing. (See table D.) The revised measures show that manufacturing productivity increased at an 8.3 percent annual rate in the first quarter, as output rose 11.8 percent and hours increased 3.3 percent. The preliminary increases were 7.1 percent, 10.3 percent, and 3.0 percent, respectively. The revisions for manufacturing reflect the most recent information on changes in output shown by the industrial production index prepared by the Board of Governors of the Federal Reserve System and measures of labor input from BLS.

Table D. Preliminary and revised productivity and related measures, first quarter 1983
Percent change from previous quarter at annual rate
(Seasonally adjusted)

| Sector | Productivity | Output | Hours | Hourly compensation | Real hourly compensation | Unit labor cost |
|--------------------------|--------------|--------|-------|---------------------|--------------------------|-----------------|
| Business: | | | | | | |
| Preliminary | 2.2 | 4.6 | 2.3 | 4.7 | 5.1 | 2.4 |
| Revised | 2.2 | 4.7 | 2.4 | 4.6 | 5.0 | 2.3 |
| Nonfarm business: | | | | | | |
| Preliminary | 4.8 | 6.2 | 1.4 | 6.1 | 6.5 | 1.3 |
| Revised | 4.7 | 6.2 | 1.4 | 6.0 | 6.4 | 1.2 |
| Manufacturing: | | | | | | |
| Preliminary | 7.1 | 10.3 | 3.0 | 6.3 | 6.7 | -0.8 |
| Revised | 8.3 | 11.8 | 3.3 | 6.8 | 7.2 | -1.4 |

TECHNICAL NOTES

Business sector output is equal to gross national product less the rest-of-the-world sector, general government, output of paid employees of private households and nonprofit institutions, rental value of owner-occupied dwellings, and the statistical discrepancy in computing the national income accounts. Corresponding exclusions are also made in labor inputs. Business output has accounted for about 77 percent of gross national product in recent years.

Total manufacturing measures are computed by summing series prepared for the durable and nondurable goods sectors.

The durable sector includes the following 2-digit SIC industries: Primary metal; fabricated metal products; nonelectrical machinery; electrical machinery; transportation equipment; instruments; lumber and lumber products; furniture and fixtures; stone, clay, and glass products; and miscellaneous manufactures. The nondurable sector includes the following 2-digit SIC industries: Textile mill products, apparel products, leather and leather products, printing and publishing, chemicals and chemical products, petroleum products, rubber and plastic products, foods, and tobacco products.

Manufacturing output has accounted for about 24 percent of gross national product in recent years.

Nonfinancial corporate output is equal to gross national product less the rest-of-the-world sector, general government, unincorporated business, output of paid employees of private households and nonprofit institutions, rental value of owner-occupied dwellings, the output of corporations engaged in banking, finance, stock and commodity trading, and credit and insurance agencies, and the statistical discrepancy in computing the national income accounts. Nonfinancial corporate output has accounted for about 59 percent of gross national product in recent years.

The productivity and associated cost measures in this new release describe the relationship between output in real terms and the labor time involved in its production. They show the changes from period to period in the amount of goods and services produced per hour. Although these measures relate output to hours of all persons engaged in a sector, they do not measure the specific contributions of labor, capital, or any other factor of production. Rather, they reflect the joint effects of many influences, including changes in technology; capital investment; level of output; utilization of capacity, energy, and materials; the organization of production; managerial skill; and the characteristics and effort of the work force.

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PRODUCTIVITY AND COSTS

Business, Nonfarm Business, and Manufacturing Sectors,
Second Quarter 1983

Productivity, as measured by output per hour of all persons, increased 4.1 percent in the business sector in the second quarter of 1983, according to preliminary measures announced today by the Bureau of Labor Statistics of the U.S. Department of Labor. This productivity increase was the largest quarterly rise since the 4.7 percent gain during the third quarter of 1981 and was significantly larger than the 2.0 percent increase one quarter earlier. Together with continuing moderation in the rate of increase of hourly compensation during the second quarter of 1983, the increase in productivity resulted in the first quarterly decline in unit labor cost in this sector since 1975.

Other second-quarter productivity measures showed increases at these annual rates:

- 4.3 percent for the nonfarm business sector,
- 8.9 percent in manufacturing as a whole,
- 10.3 percent in durable goods manufacturing, and
- 7.0 percent in nondurable goods manufacturing.

All of these measures --which are preliminary-- are summarized in table A and appear in detail in tables 1-5. In addition to productivity, the measures include output, hours, hourly compensation, real hourly compensation, and unit labor cost, as changed from the previous quarter and the same quarter of the previous year. All data are at seasonally adjusted annual rates. For nonfinancial corporations, revised first-quarter measures for 1983 were also reported today. (See table B.)

All of the productivity and cost measures in this release incorporate revised output and compensation measures reported by the Bureau of Economic Analysis (BEA) of the U.S. Department of Commerce on July 21, 1983, as part of the regular revision cycle of the National Income and Product Accounts--the Gross National Product (GNP) measures. These revisions affected the productivity and cost measures beginning with 1980.

In addition, revised values for seasonally adjusting measures of employment and average weekly hours were introduced. Data for employees of nonagricultural establishments were re-benchmarked to the most recent levels from Unemployment Insurance data and improved estimates of price change in the rental equivalency of some facilities used by nonprofit institutions were incorporated. Historical information, which shows the effect of these revisions, is available on request from the Office of Productivity and Technology, Bureau of Labor Statistics, Washington, D.C. 20212; telephone (202) 523-9261. The appendix tables contained in this news release present the productivity and related measures for the entire period affected by the GNP revisions--1980 forward.

Table A. Productivity and costs: Percent change at annual rate
(Seasonally adjusted)

| Sector | Productivity | Output | Hours | Hourly compensation | Real hourly compensation | Unit labor cost |
|--|--------------|--------|-------|---------------------|--------------------------|-----------------|
| PRELIMINARY | | | | | | |
| First quarter 1983 to second quarter 1983 | | | | | | |
| Business | 4.1 | 10.9 | 6.5 | 3.7 | -0.4 | -0.4 |
| Nonfarm business | 4.3 | 10.9 | 6.3 | 4.6 | 0.4 | 0.2 |
| Manufacturing | 8.9 | 20.3 | 10.5 | 1.9 | -2.2 | -6.4 |
| Durable | 10.3 | 24.3 | 12.6 | 1.3 | -2.8 | -8.2 |
| Nondurable | 7.0 | 15.0 | 7.5 | 2.5 | -1.6 | -4.1 |
| Second quarter 1982 to second quarter 1983 | | | | | | |
| Business | 2.8 | 2.8 | 0.0 | 5.4 | 2.0 | 2.5 |
| Nonfarm business | 2.9 | 2.6 | -0.3 | 6.1 | 2.6 | 3.1 |
| Manufacturing | 6.9 | 5.4 | -1.4 | 5.9 | 2.4 | -0.9 |
| Durable | 7.6 | 4.7 | -2.8 | 5.9 | 2.5 | -1.6 |
| Nondurable | 5.7 | 6.4 | 0.7 | 6.2 | 2.8 | 0.5 |

Business sector

Although the 4.1 percent increase in business productivity during the second quarter was the largest in 2 years, it reflected the biggest gains in output and hours since the second quarter of 1978 --5 years ago. (In the second quarter of 1978, output increased 11.7 percent, and hours went up 10.5 percent, at seasonally adjusted annual rates.) Moreover, the increase in hours of all persons partly reflected a 4.3 percent gain in sector employment, the first substantial gain since the third quarter of 1981 and the largest since the first quarter of 1979.

Hourly compensation, which includes employer expenditures for wages and salaries as well as payments for social security, private pension and health plans, and other employee benefits, increased 3.7 percent during the second quarter, the smallest quarterly gain in more than 11 years. (In the fourth quarter of 1971, hourly compensation went up only 2.1 percent.) During the first quarter of 1983, hourly compensation rose at a 5.4 percent annual rate.

Real hourly compensation, which is adjusted for the change in the Consumer Price Index for All Urban Consumers (CPI-U), declined 0.4 percent in the second quarter, compared with a 5.8 percent increase during the first quarter. This was the first quarter during which real hourly compensation declined since the third quarter of 1982, when a 1.0 percent fall occurred (seasonally adjusted annual rates).

Unit labor cost (compensation per unit of output) shows the effect of increases in hourly compensation and the offsetting effect of productivity gains. During the second quarter of 1983, unit labor cost declined 0.4 percent as the gain in hourly compensation was more than offset by the increase in productivity. During the first quarter of 1983, unit labor cost increased 3.3 percent, and the second-quarter decline was the first recorded in this sector in nearly 8 years. (During the third quarter of 1975, unit labor cost declined 0.9 percent).

The implicit price deflator --a measure of price change in a sector which reflects changes in unit labor cost and unit nonlabor payments combined-- increased 4.4 percent during the second quarter, compared with a 5.5 percent increase during the first quarter. See table 1 and appendix table 1.

Nonfarm business sector

Productivity increased at a 4.3 percent annual rate in the nonfarm business sector during the second quarter of 1983, compared with a 3.7 percent gain during the first quarter. This was the largest quarterly gain in productivity since the 5.2 percent gain during the first quarter of 1981. Second-quarter 1983 gains in output and hours were 10.9 percent and 6.3 percent, respectively, and were the largest since the second quarter of 1978 (when output and hours rose 12.9 percent and 11.1 percent, respectively). The increase in hours reflected a 3.9 percent gain in employment, the first since the third quarter of 1981 and the largest since the first quarter of 1979.

Hourly compensation rose 4.6 percent during the second quarter, while during the first quarter, these expenditures rose at a 6.8 percent annual rate. This was the smallest increase in hourly compensation since the fourth quarter of 1977 (when a 2.1 percent increase occurred).

Unit labor cost rose 0.2 percent during the second quarter of 1983, the smallest quarterly gain since the third quarter of 1975 (when a 0.1 percent rise was recorded).

Real hourly compensation increased 0.4 percent in the second quarter, compared with a 7.2 percent gain during the first quarter.

Prices --as measured by the nonfarm business implicit price deflator-- rose 4.7 percent in the second quarter, compared with a 5.3 percent rise during the first quarter. See table 2 and appendix table 2.

Manufacturing

In manufacturing, productivity increased at an 8.9 percent annual rate in the second quarter of 1983, compared with an 8.0 percent gain during the first quarter. Output in manufacturing increased 12.7 percent in the first quarter and 20.3 percent in the second, as hours of all persons went up 4.3 percent and 10.5 percent, respectively (seasonally adjusted annual rates). The second-quarter increase in output was the largest in this sector since the fourth quarter of 1980 (when a 22.3 percent increase occurred) and the increase in hours was the largest since the first quarter of 1976 (when a 10.9 percent gain occurred). Employment increased at a 6.2 percent annual rate, and the length of the average workweek increased 4.1 percent. The gain in employment was the largest since the first quarter of 1976 (when it rose 7.5 percent).

Hourly compensation increased 1.9 percent during the second quarter, compared with a 10.7 percent rise during the first quarter. This was the smallest increase in hourly compensation since the second quarter of 1965 (when a 1.8 percent increase occurred).

The rapid increase in productivity coupled with the small increase in hourly compensation resulted in a 6.4 percent decline in unit labor cost --compensation per unit of output. This decline was the first in unit labor cost since the third quarter of last year (when it fell 2.8 percent) and the largest since the third quarter of 1975 (when an 11.8 percent decline occurred).

Real hourly compensation declined 2.2 percent, compared with an 11.1 percent increase during the first quarter. See tables 3-5 and appendix tables 3-5.

Revised measures

Revised first-quarter productivity and cost measures were also reported today for the nonfinancial corporate sector; see table 6 and appendix table 6. Productivity increased 3.4 percent, as output went up 4.6 percent and employee-hours rose 1.2 percent (seasonally adjusted annual rates). Hourly compensation rose 6.0 percent, and unit labor cost rose 2.5 percent. A comparison of these revised measures with preliminary values published on May 26 is presented in table B.

Table B. Preliminary and revised productivity and related measures, first quarter 1983
Percent change from previous quarter at annual rate
(Seasonally adjusted)

Nonfinancial corporate sector

| Item | Productivity | Output | Hours | Hourly compensation | Real hourly compensation | Unit labor cost | Unit nonlabor cost | Unit profits |
|---------|--------------|--------|-------|---------------------|--------------------------|-----------------|--------------------|--------------|
| Prelim. | 4.6 | 6.3 | 1.6 | 5.4 | 5.8 | 0.8 | -2.0 | 95.4 |
| Revised | 3.4 | 4.6 | 1.2 | 6.0 | 6.4 | 2.5 | -2.8 | 79.9 |

Appendix tables 1-6 contain 1980-1981 measures of productivity and costs affected by the regular 3-year GNP revision cycle mentioned on page 1. The underlying components for the productivity measures which are part of the National Income and Product Accounts were revised beginning with data for 1980. In addition, more complete price deflators for the rental equivalency of equipment and structures owned and occupied by nonprofit institutions and more complete information on the hours of all persons engaged in the major sectors were also incorporated at this time. (New seasonal factors were used to adjust the monthly employment and average weekly hours measures of employees on nonagricultural payrolls, and the levels were adjusted to take into account information from Unemployment Insurance records.) Historical series are available as noted in the box on page 1.

TECHNICAL NOTES

Business sector output is equal to gross national product less the rest-of-the-world sector, general government, output of paid employees of private households and nonprofit institutions, rental value of owner-occupied dwellings, and the statistical discrepancy in computing the national income accounts. Corresponding exclusions are also made in labor inputs. Business output has accounted for about 77 percent of gross national product in recent years.

Total manufacturing measures are computed by summing series prepared for the durable and nondurable goods sectors.

The durable sector includes the following 2-digit SIC industries: Primary metal; fabricated metal products; nonelectrical machinery; electrical machinery; transportation equipment; instruments; lumber and lumber products; furniture and fixtures; stone, clay, and glass products; and miscellaneous manufactures. The nondurable sector includes the following 2-digit SIC industries: Textile mill products, apparel products, leather and leather products, printing and publishing, chemicals and chemical products, petroleum products, rubber and plastic products, foods, and tobacco products.

Manufacturing output has accounted for about 24 percent of gross national product in recent years.

Nonfinancial corporate output is equal to gross national product less the rest-of-the-world sector, general government, unincorporated business, output of paid employees of private households and nonprofit institutions, rental value of owner-occupied dwellings, the output of corporations engaged in banking, finance, stock and commodity trading, and credit and insurance agencies, and the statistical discrepancy in computing the national income accounts. Nonfinancial corporate output has accounted for about 59 percent of gross national product in recent years.

The productivity and associated cost measures in this news release describe the relationship between output in real terms and the labor time involved in its production. They show the changes from period to period in the amount of goods and services produced per hour. Although these measures relate output to hours of all persons engaged in a sector, they do not measure the specific contributions of labor, capital, or any other factor of production. Rather, they reflect the joint effects of many influences, including changes in technology; capital investment; level of output; utilization of capacity, energy, and materials; the organization of production; managerial skill; and the characteristics and effort of the work force.

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Friday, August 26, 1983**PRODUCTIVITY AND COSTS**Revised Data for
Business, Nonfarm Business, and Manufacturing Sectors
and Preliminary Measures for the Nonfinancial Corporate Sector
Second Quarter 1983

Productivity, as measured by output per hour of all persons, increased at a 5.7 percent seasonally adjusted annual rate in the business sector in the second quarter of 1983, according to the latest measures announced today by the Bureau of Labor Statistics of the U.S. Department of Labor (table A). This rapid increase in productivity, coupled with moderate growth in hourly compensation, resulted in declining unit labor costs in all sectors for which productivity and cost measures are computed. Productivity also increased 5.5 percent in the nonfinancial corporate sector, according to preliminary measures announced today for this sector (table B).

The following tabulation shows the updated average annual rates of change in productivity for the second quarter of 1983:

- 5.7 percent for the business sector,
- 6.1 percent for the nonfarm business sector,
- 8.4 percent for manufacturing as a whole,
- 10.1 percent for durable goods manufacturing, and
- 6.1 percent for nondurable goods manufacturing.

Business sector

Productivity advanced at a 5.7 percent seasonally adjusted annual rate in the second quarter of 1983 in the business sector, reflecting a 12.5 percent gain in output and a 6.5 percent increase in hours of all persons. The productivity gain was the largest since the first quarter of 1981 (when it rose 5.9 percent); the output increase was the largest since the first quarter of 1973 (when it increased 13.6 percent). The gain in hours was the largest since the second quarter of 1978 (when the increase was 10.5 percent).

As reported last month, the productivity and cost measures for the nonfinancial corporate sector in this press release are based on revised output and compensation measures reported by the Bureau of Economic Analysis (BEA) of the U.S. Department of Commerce on July 21 as part of the regular revision cycle of the National Income and Product Accounts--the Gross National Product (GNP) measures. These revisions affected the productivity and cost measures beginning with 1980 in the nonfinancial corporate sector.

In addition, revised values for seasonally adjusting measures of employment and average weekly hours were introduced. Data for employees of nonagricultural establishments were re-benchmarked to the most recent levels from Unemployment Insurance records. Historical information, which shows the effect of these revisions, is available on request from the Office of Productivity and Technology, Bureau of Labor Statistics, Washington, D.C. 20212; telephone (202) 523-9261.

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Table A. Productivity and costs: Percent change at annual rate
(Seasonally adjusted)

| Sector | Productivity | Output | Hours | Hourly compensation | Real hourly compensation | Unit labor cost |
|---|--------------|--------|-------|---------------------|--------------------------|-----------------|
| First quarter 1983 to second quarter 1983 | | | | | | |
| Business | 5.7 | 12.5 | 6.5 | 3.5 | -0.7 | -2.1 |
| Nonfarm business | 6.1 | 12.7 | 6.2 | 4.3 | 0.1 | -1.6 |
| Manufacturing | 8.4 | 20.5 | 11.2 | 2.1 | -2.1 | -5.9 |
| Durable | 10.1 | 23.8 | 12.4 | 1.7 | -2.4 | -7.6 |
| Nondurable | 6.1 | 16.2 | 9.4 | 2.4 | -1.7 | -3.5 |
| Second quarter 1982 to second quarter 1983 | | | | | | |
| Business | 3.2 | 3.2 | 0.0 | 5.3 | 1.9 | 2.1 |
| Nonfarm business | 3.3 | 3.0 | -0.3 | 6.0 | 2.6 | 2.6 |
| Manufacturing | 6.7 | 5.4 | -1.2 | 5.9 | 2.5 | -0.8 |
| Durable | 7.6 | 4.6 | -2.8 | 6.0 | 2.6 | -1.5 |
| Nondurable | 5.5 | 6.7 | 1.1 | 6.2 | 2.7 | 0.6 |

Hourly compensation--which includes employer expenditures for wages and salaries, supplements, payments for social security, private pension and health plans, and other employee benefits--increased 3.5 percent in the second quarter, the smallest gain in this series since the fourth quarter of 1971 (when a 2.1 percent increase occurred). Unit labor cost--compensation per unit of output--declined 2.1 percent, reflecting the faster rate of growth of productivity and the slower gains in hourly compensation. This decline was the first in these costs since 1975.

Nonfarm business

Productivity gained 6.1 percent during the second quarter in the nonfarm business sector, as output rose 12.7 percent and hours increased 6.2 percent (seasonally adjusted annual rates). This increase was the largest in productivity since the third quarter of 1975 (when a 6.6 percent rise occurred). The gains in output and hours were the largest since the second quarter of 1978 (when increases of 12.9 percent and 11.1 percent, respectively, occurred).

Hourly compensation rose only 4.3 percent in the second quarter, the smallest gain since the fourth quarter of 1971 (when it went up 2.1 percent), and was reflected in the 1.6 percent decline in unit labor cost, the first drop in this measure since the second quarter of 1975 (when a 2.7 percent decline occurred).

Manufacturing

Productivity increased 8.4 percent in manufacturing during the second quarter as output rose 20.5 percent and hours increased 11.2 percent. The increase was the largest in productivity since the third quarter of last year (when a 9.6 percent gain occurred), in output since the fourth quarter of 1980 (when it rose 22.3 percent), and in hours since the first quarter of 1965 (when the increase was 11.8 percent).

Hourly compensation edged up at a 2.1 percent annual rate in the second quarter, the smallest rise since the second quarter of 1965 (when it rose 1.8 percent), and unit labor cost fell 5.9 percent (the first decline since the 2.8 percent fall in the third quarter of 1982 and the largest since the 11.8 percent drop in the third quarter of 1975).

Nonfinancial corporations

Productivity in the nonfinancial corporate sector increased at a seasonally adjusted rate of 5.5 percent during the second quarter of 1983, according to preliminary measures reported today. This gain was the largest since the first quarter of 1981 (when a 5.7 percent increase occurred) and contributed to the first decline in unit labor cost since 1975.

The nonfinancial corporate sector includes all corporations doing business in the United States, with the exception of banks, stock and commodity brokers, and finance and insurance companies.

The increase in productivity reflected the largest gains in output and hours since the second quarter of 1978. The increase in hours reflected a 4.7 percent increase in employment and a 2.8 percent gain in the length of the average workweek. The rise in employment was the first recorded in this sector since the third quarter of 1981. The increase in average weekly hours was the largest in 25 years.

Hourly compensation increased 2.9 percent in the second quarter, the smallest rise in this measure since the first quarter of 1970. The combination of slower growth of hourly compensation and faster productivity gains resulted in a 2.4 percent drop in unit labor cost--the first decrease since the third quarter of 1975.

Real hourly compensation --which is adjusted for changes in the Consumer Price Index for All Urban Consumers--declined 1.3 percent. During the first quarter, real hourly compensation had increased 6.4 percent.

Table B. Productivity and costs in nonfinancial corporations:
Preliminary second-quarter 1983 measures
(Seasonally adjusted annual rates)

| Sector | Productivity | Output | Hours | Hourly compensation | Real hourly compensation | Unit labor cost | Unit profit |
|--|--------------|--------|-------|---------------------|--------------------------|-----------------|-------------|
| PRELIMINARY | | | | | | | |
| First quarter 1983 to second quarter 1983 | | | | | | | |
| Nonfinancial corporations | 5.5 | 13.5 | 7.6 | 2.9 | -1.3 | -2.4 | 98.5 |
| Second quarter 1982 to second quarter 1983 | | | | | | | |
| Nonfinancial corporations | 3.3 | 2.7 | -0.6 | 5.2 | 1.7 | 1.8 | 26.3 |

Unit nonlabor payments rose 15.4 percent in the second quarter of 1983, compared with a 10.7 percent gain one quarter earlier. This measure also reflects the increase in profits per unit of output, which increased at a 98.5 percent annual rate. This gain was the largest in unit profits since the third quarter of 1975 (when they rose 116.6 percent).

Prices in the nonfinancial corporate sector rose 3.2 percent in the second quarter, compared with a 5.1 percent increase during the first quarter of 1983. Changes in this series--the implicit price deflator for the nonfinancial corporate sector output--reflect the combined effect of changes in unit labor cost, unit nonlabor cost, and unit profit.

Comparison of preliminary and revised measures for business, nonfarm business, and manufacturing

The latest output and labor input measures resulted in larger productivity advances in business and nonfarm business than had been reported on July 29, based on preliminary data. As can be seen in table C, the revision in productivity stems mainly from a larger increase in output. In manufacturing, productivity growth was slower in the updated measures, partly reflecting the effect of changes in the movement of hours during the period.

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Table C. Preliminary and revised productivity and related measures,
second quarter 1983
Percent change from previous quarter at annual rate
(Seasonally adjusted)

| Sector | Productivity | Output | Hours | Hourly compensation | Real hourly compensation | Unit labor cost |
|--------------------------|--------------|--------|-------|---------------------|--------------------------|-----------------|
| Business: | | | | | | |
| Preliminary | 4.1 | 10.9 | 6.5 | 3.7 | -0.4 | -0.4 |
| Revised | 5.7 | 12.5 | 6.5 | 3.5 | -0.7 | -2.1 |
| Nonfarm business: | | | | | | |
| Preliminary | 4.3 | 10.9 | 6.3 | 4.6 | 0.4 | 0.2 |
| Revised | 6.1 | 12.7 | 6.2 | 4.3 | 0.1 | -1.6 |
| Manufacturing: | | | | | | |
| Preliminary | 8.9 | 20.3 | 10.5 | 1.9 | -2.2 | -6.4 |
| Revised | 8.4 | 20.5 | 11.2 | 2.1 | -2.1 | -5.9 |

TECHNICAL NOTES

Business sector output is equal to gross national product less the rest-of-the-world sector, general government, output of paid employees of private households and nonprofit institutions, rental value of owner-occupied dwellings, and the statistical discrepancy in computing the national income accounts. Corresponding exclusions are also made in labor inputs. Business output has accounted for about 77 percent of gross national product in recent years.

Total manufacturing measures are computed by summing series prepared for the durable and nondurable goods sectors.

The durable sector includes the following 2-digit SIC industries: Primary metal; fabricated metal products; nonelectrical machinery; electrical machinery; transportation equipment; instruments; lumber and lumber products; furniture and fixtures; stone, clay, and glass products; and miscellaneous manufactures. The nondurable sector includes the following 2-digit SIC industries: Textile mill products, apparel products, leather and leather products, printing and publishing, chemicals and chemical products, petroleum products, rubber and plastic products, foods, and tobacco products.

Manufacturing output has accounted for about 24 percent of gross national product in recent years.

Nonfinancial corporate output is equal to gross national product less the rest-of-the-world sector, general government, unincorporated business, output of paid employees of private households and nonprofit institutions, rental value of owner-occupied dwellings, the output of corporations engaged in banking, finance, stock and commodity trading, and credit and insurance agencies, and the statistical discrepancy in computing the national income accounts. Nonfinancial corporate output has accounted for about 59 percent of gross national product in recent years.

The productivity and associated cost measures in this news release describe the relationship between output in real terms and the labor time involved in its production. They show the changes from period to period in the amount of goods and services produced per hour. Although these measures relate output to hours of all persons engaged in a sector, they do not measure the specific contributions of labor, capital, or any other factor of production. Rather, they reflect the joint effects of many influences, including changes in technology; capital investment; level of output; utilization of capacity, energy, and materials; the organization of production; managerial skill; and the characteristics and effort of the work force.

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PRODUCTIVITY AND COSTS

Third Quarter 1983

Productivity, as measured by output per hour of all persons, increased during the third quarter of 1983 in the business, nonfarm business, and manufacturing sectors, the Bureau of Labor Statistics of the U.S. Department of Labor reported. Hourly output rose at an annual rate of 4.8 percent in the business sector, the broadest category covered, as output increased 10.0 percent and hours of all persons engaged in the sector increased 5.0 percent. Productivity has grown more in the last 4 quarters than in any similar time period since 1976.

Other sectors showed productivity increases for the third quarter at these annual rates:

5.0 percent in nonfarm business,
12.1 percent in manufacturing as a whole,
12.0 percent in durable goods manufacturing, and
12.2 percent in nondurables.

Unit labor cost rose slightly in the business sector but declined for the second consecutive quarter in nonfarm business and manufacturing, as productivity gains in the latter sectors more than offset increases in hourly compensation.

All of these seasonally adjusted annual rates--which are preliminary--are summarized in table A and appear in detail in tables 1-5.

Business sector

Productivity advanced 4.8 percent in the business sector, as output increased 10.0 percent and hours of all persons rose 5.0 percent (seasonally adjusted annual rates). During the second quarter, productivity rose 5.4 percent, and output and hours increased 12.2 percent and 6.5 percent, respectively (table 1). Compared with the third quarter of 1982, productivity increased 3.9 percent; output and hours rose 5.9 percent and 1.9, respectively.

Hourly compensation, which includes wages, salaries, and employer contributions to employee benefit plans, increased at a 5.6 percent annual rate, compared with a 3.5 percent increase during the second quarter. Real hourly compensation, which also takes account of changes in the Consumer Price Index for All Urban Consumers (CPI-U), increased 0.8 percent. The faster rate of growth of hourly compensation, coupled with the slower increase in productivity during the third quarter, resulted in the 0.8 percent increase in unit labor cost.

Table A. Productivity and costs: Preliminary third quarter 1983 measures
(Seasonally adjusted annual rates)

| Sector | Productivity | Output | Hours | Hourly compensation | Real hourly compensation | Unit labor cost |
|------------------|---|--------|-------|---------------------|--------------------------|-----------------|
| | Percent change from preceding quarter | | | | | |
| Business | 4.8 | 10.0 | 5.0 | 5.6 | 0.8 | 0.8 |
| Nonfarm business | 5.0 | 11.4 | 6.1 | 4.5 | -0.3 | -0.5 |
| Manufacturing | 12.1 | 22.5 | 9.3 | 3.1 | -1.6 | -8.0 |
| Durable | 12.0 | 26.5 | 12.9 | 3.2 | -1.5 | -7.9 |
| Nondurable | 12.2 | 17.1 | 4.4 | 2.0 | -2.6 | -9.1 |
| | Percent change from same quarter a year ago | | | | | |
| Business | 3.9 | 5.9 | 1.9 | 5.0 | 2.4 | 1.1 |
| Nonfarm business | 4.1 | 6.1 | 1.9 | 5.3 | 2.7 | 1.2 |
| Manufacturing | 7.5 | 11.1 | 3.3 | 5.0 | 2.4 | -2.3 |
| Durable | 8.0 | 11.7 | 3.4 | 4.9 | 2.2 | -2.9 |
| Nondurable | 6.7 | 10.2 | 3.3 | 5.2 | 2.5 | -1.4 |

The small rise in unit labor cost was reflected in the preliminary implicit price deflator for the business sector. This measure of price change for the goods and services which comprise business output increased at a 2.7 percent annual rate, the smallest quarterly rise in this series since the fourth quarter of 1982.

Nonfarm business

Output per hour of all persons increased 5.0 percent in the nonfarm business sector, as output rose 11.4 percent and hours of all persons increased 6.1 percent during the third quarter. In the previous quarter, productivity gained 6.6 percent, output rose 13.2 percent, and hours increased 6.2 percent (table 2). The increase in productivity between the third quarter of 1982 and the third quarter of 1983 (4.1 percent) was the largest 4-quarter increase since 1976. Output and hours rose 6.1 percent and 1.9 percent over the 12-month period.

Hourly compensation rose at a 4.5 percent annual rate in the third quarter, compared with a 4.3 percent gain during the second quarter. Real hourly compensation declined 0.3 percent during the third quarter. Unit labor cost declined 0.5 percent, the second consecutive decrease in this measure. The continued decline in unit labor cost--combined with slowing growth of unit nonlabor payments--was reflected in the further slowdown in price inflation in this sector. The 2.5 percent increase in the implicit price deflator was the smallest since the third quarter of 1982.

Manufacturing

Manufacturing productivity increased at a 12.1 percent annual rate during the third quarter, compared with a 9.0 percent increase during the second quarter. This was the largest productivity gain since the fourth quarter of 1980, when it rose 13.7 percent (table 3). Compared with the same quarter of last year, manufacturing productivity advanced 7.5 percent while output and hours grew 11.1 percent and 3.3 percent, respectively. Output rose 22.5 percent in the third quarter, and hours increased 9.3 percent (seasonally adjusted annual rates). The increase in output was the largest quarterly gain since 1975 (when it rose 28.9 percent in the third quarter). Hourly compensation rose 3.1 percent and, combined with the rapid increase in productivity, resulted in an 8.0 percent decline in unit labor cost, the largest drop since 1975 (when it fell 11.8 percent in the third quarter). Real hourly compensation declined 2.1 percent in the third quarter. Output and hours grew faster among durable goods manufacturers (tables 4 and 5).

Nonfinancial corporations

Productivity among nonfinancial corporations advanced 6.5 percent during the second quarter of 1983, according to the most recent measures announced today. Output rose 14.6 percent, and hours of all employees increased 7.6 percent (table 6). Hourly compensation rose 2.9 percent, but when adjusted for the change in the CPI-U showed a 1.2 percent decline. Unit profits rose 104.7 percent, the largest increase since 1975. These values are based on the most complete measures of output and labor input available; table B compares them with the results reported on August 26, based on preliminary information.

Table B. Preliminary and revised productivity and related measures for nonfinancial corporations, second quarter 1983
Percent change from previous quarter at annual rate
(Seasonally adjusted)

| Item | Productivity | Output | Hours | Hourly compensation | Real hourly compensation | Unit labor cost | Unit nonlabor cost | Unit profits |
|-------------|--------------|--------|-------|---------------------|--------------------------|-----------------|--------------------|--------------|
| Preliminary | 5.5 | 13.5 | 7.6 | 2.9 | -1.3 | -2.4 | -2.8 | 98.5 |
| Revised | 6.5 | 14.6 | 7.6 | 2.9 | -1.2 | -3.4 | -3.8 | 104.7 |

TECHNICAL NOTES

Business sector output is equal to gross national product less the rest-of-the-world sector, general government, output of paid employees of private households and nonprofit institutions, rental value of owner-occupied dwellings, and the statistical discrepancy in computing the national income accounts. Corresponding exclusions are also made in labor inputs. Business output has accounted for about 77 percent of gross national product in recent years.

Total manufacturing measures are computed by summing series prepared for the durable and nondurable goods sectors.

The durable sector includes the following 2-digit SIC industries: Primary metal; fabricated metal products; nonelectrical machinery; electrical machinery; transportation equipment; instruments; lumber and lumber products; furniture and fixtures; stone, clay, and glass products; and miscellaneous manufactures. The nondurable sector includes the following 2-digit SIC industries: Textile mill products, apparel products, leather and leather products, printing and publishing, chemicals and chemical products, petroleum products, rubber and plastic products, foods, and tobacco products.

Manufacturing output has accounted for about 24 percent of gross national product in recent years.

Nonfinancial corporate output is equal to gross national product less the rest-of-the-world sector, general government, unincorporated business, output of paid employees of private households and nonprofit institutions, rental value of owner-occupied dwellings, the output of corporations engaged in banking, finance, stock and commodity trading, and credit and insurance agencies, and the statistical discrepancy in computing the national income accounts. Nonfinancial corporate output has accounted for about 59 percent of gross national product in recent years.

The productivity and associated cost measures in this news release describe the relationship between output in real terms and the labor time involved in its production. They show the changes from period to period in the amount of goods and services produced per hour. Although these measures relate output to hours of all persons engaged in a sector, they do not measure the specific contributions of labor, capital, or any other factor of production. Rather, they reflect the joint effects of many influences, including changes in technology; capital investment; level of output; utilization of capacity, energy, and materials; the organization of production; managerial skill; and the characteristics and effort of the work force.

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PRODUCTIVITY AND COSTS

Revised Data for
Business, Nonfarm Business, and Manufacturing Sectors and
Preliminary Measures for the Nonfinancial Corporate Sector
Third Quarter 1983

Productivity, as measured by output per hour of all persons, increased at a 3.5 percent seasonally adjusted annual rate in the business sector in the third quarter of 1983, according to the latest measures announced today by the Bureau of Labor Statistics of the U.S. Department of Labor (table A). This increase in productivity reflected a 9.0 percent increase in output and a 5.3 percent increase in hours. Productivity increased 5.2 percent in the nonfinancial corporate sector, according to preliminary measures announced today for this sector (table B).

The following tabulation shows the revised average annual rates of change in productivity for the third quarter of 1983:

- 3.5 percent for the business sector,
- 3.1 percent for the nonfarm business sector,
- 11.6 percent for manufacturing as a whole,
- 11.3 percent for durable goods manufacturing, and
- 12.1 percent for nondurables.

All of the third quarter measures are summarized in tables A and B and appear in detail in tables 1-6.

Business sector

Productivity advanced at a 3.5 percent seasonally adjusted annual rate in the third quarter of 1983 in the business sector, reflecting a 9.0 percent gain in output and a 5.3 percent increase in hours of all persons. During the second quarter, productivity rose 5.4 percent, as output and hours rose 12.2 percent and 6.5 percent, respectively (table 1).

Hourly compensation--which includes employer expenditures for wages and salaries, supplements, payments for social security, private pension and health plans, and other employee benefits--increased 5.3 percent during the third quarter, compared with a 3.5 percent increase during the second quarter. Unit labor cost, which reflects the combined effect of changes in productivity and hourly compensation, registered a 1.8 percent increase during the third quarter, compared with a 1.8 percent decline during the second quarter.

Table A. Productivity and costs: Revised third quarter 1983 measures
(Seasonally adjusted annual rates)

| Sector | Productivity | Output | Hours | Hourly compensation | Real hourly compensation | Unit labor cost |
|---|--------------|--------|-------|---------------------|--------------------------|-----------------|
| Percent change from preceding quarter | | | | | | |
| Business | 3.5 | 9.0 | 5.3 | 5.3 | 0.5 | 1.8 |
| Nonfarm business | 3.1 | 9.8 | 6.5 | 4.2 | -0.5 | 1.1 |
| Manufacturing | 11.6 | 22.7 | 10.0 | 2.6 | -2.1 | -8.1 |
| Durable | 11.3 | 26.5 | 13.6 | 2.6 | -2.1 | -7.8 |
| Nondurable | 12.1 | 17.6 | 4.9 | 1.6 | -3.0 | -9.3 |
| Percent change from same quarter a year ago | | | | | | |
| Business | 3.5 | 5.6 | 2.0 | 5.0 | 2.3 | 1.4 |
| Nonfarm business | 3.6 | 5.7 | 2.0 | 5.3 | 2.6 | 1.6 |
| Manufacturing | 7.4 | 11.1 | 3.5 | 4.9 | 2.2 | -2.3 |
| Durable | 7.9 | 11.7 | 3.5 | 4.8 | 2.1 | -2.9 |
| Nondurable | 6.7 | 10.3 | 3.4 | 5.1 | 2.4 | -1.5 |

Real hourly compensation--which takes into account changes in the Consumer Price Index for All Urban Consumers (CPI-U)--increased 0.5 percent, compared with a 0.7 percent decline during the second quarter. The implicit price deflator, which reflects changes in unit labor cost and unit nonlabor payments, increased 2.5 percent in the third quarter, compared with a 3.3 percent increase during the second quarter.

Nonfarm business

Productivity increased at a 3.1 percent annual rate in the nonfarm business sector during the third quarter as output rose 9.8 percent and hours of all persons engaged in the sector increased 6.5 percent (seasonally adjusted annual rates). During the second quarter, nonfarm business productivity rose 6.6 percent (table 2).

Hourly compensation increased 4.2 percent during the third quarter, compared with a 4.3 percent increase during the second quarter. After allowing for the increase in the CPI-U, real hourly compensation declined 0.5 percent, compared with a 0.1 percent rise during the second quarter. Unit labor cost increased 1.1 percent, compared with a 2.1 percent decline one quarter earlier. The 6.5 percent increase in hours reflected a 5.5 percent gain in employment and a 1.0 percent increase in the length of the average work week. This was the largest employment gain in this sector since an identical increase occurred during the first quarter of 1979. The implicit price deflator increased more slowly in the nonfarm business sector in the third quarter than in the second quarter of 1983.

Manufacturing

Output per hour of all persons engaged in the manufacture of durable and nondurable goods increased 11.6 percent during the third quarter, compared with a 9.0 percent increase during the second quarter (table 3). The rate of increase in output also continued to accelerate in the third quarter, with a gain of 22.7 percent recorded (seasonally adjusted annual rate). Hours rose 10.0 percent in the third quarter. During the second quarter, manufacturing productivity increased 9.0 percent as output rose 21.2 percent and hours 11.1 percent.

Hourly compensation rose a modest 2.6 percent, but declined 2.1 percent after allowing for the change in the CPI-U. Unit labor cost fell 8.1 percent. This was the largest decline in unit labor cost since the third quarter of 1975 (when an 11.8 percent drop occurred).

Although productivity grew faster among nondurable goods manufacturers, output and hours increased faster in durables (tables 4, 5).

Nonfinancial corporations

Productivity in nonfinancial corporations increased at a seasonally adjusted annual rate of 5.2 percent during the third quarter, reflecting gains in output and all-employee hours of 11.3 percent and 5.7 percent, respectively (seasonally adjusted annual rates). See table B. During the second quarter, output per all-employee hour rose 6.5 percent in this sector. Although the gain in productivity was smaller than during the second quarter, the third quarter increase combined with the 3.9 percent gain in hourly compensation produced a 1.3 percent drop in unit labor cost, the second consecutive quarterly drop in

Table B. Productivity and cost in nonfinancial corporations:
Preliminary third-quarter 1983 measures
(Seasonally adjusted annual rate)

| Sector | Productivity | Output | Hours | Hourly compensation | Real hourly compensation | Unit labor cost | Unit profit |
|---|--------------|--------|-------|---------------------|--------------------------|-----------------|-------------|
| PRELIMINARY | | | | | | | |
| Second quarter 1983 to third quarter 1983 | | | | | | | |
| Nonfinancial corporations | 5.2 | 11.3 | 5.7 | 3.9 | -0.8 | -1.3 | 70.7 |
| Third quarter 1982 to third quarter 1983 | | | | | | | |
| Nonfinancial corporations | 3.9 | 5.8 | 1.9 | 4.5 | 1.9 | 0.6 | 44.1 |

this important cost measure (table 6). The second- and third-quarter declines in unit labor cost were the first recorded since 1975, when drops also occurred during the second and third quarters.

The nonfinancial corporate sector includes all corporations doing business in the United States, with the exception of banks, stock and commodity brokers, and finance and insurance companies.

Hourly compensation declined 0.8 percent when adjusted for the increase in the CPI-U, compared with a 1.2 percent decline during the second quarter.

Unit nonlabor payments rose 11.4 percent and include capital consumption allowances, net interest, indirect business taxes, and profits. Unit profit rose at a 70.7 percent annual rate during the third quarter, compared with a 104.7 percent rise during the third quarter. The index level of unit profit presently stands at the highest level in the series (which covers the period since 1958), and the increase so far recorded in 1983 is the largest for any 3 consecutive quarters.

The implicit price deflator for the nonfinancial corporate sector rose 2.9 percent in the third quarter, compared with a 2.5 percent gain during the previous quarter.

Preliminary and revised measures for business, nonfarm business, and manufacturing

The latest output and labor input measures resulted in smaller productivity gains than had been reported on October 27, based on preliminary data. As can be seen in table C, opposite revisions in output and hours resulted in smaller productivity gains, which in turn affected movements in unit labor cost.

Table C. Preliminary and revised productivity and related measures, third quarter 1983
Percent change from previous quarter at annual rate
(Seasonally adjusted)

| Sector | Productivity | Output | Hours | Hourly compensation | Real hourly compensation | Unit labor cost |
|--------------------------|--------------|--------|-------|---------------------|--------------------------|-----------------|
| Business: | | | | | | |
| Preliminary | 4.8 | 10.0 | 5.0 | 5.6 | 0.8 | 0.8 |
| Revised | 3.5 | 9.0 | 5.3 | 5.3 | 0.5 | 1.8 |
| Nonfarm Business: | | | | | | |
| Preliminary | 5.0 | 11.4 | 6.1 | 4.5 | -0.3 | -0.5 |
| Revised | 3.1 | 9.8 | 6.5 | 4.2 | -0.5 | 1.1 |
| Manufacturing: | | | | | | |
| Preliminary | 12.1 | 22.5 | 9.3 | 3.1 | -1.6 | -8.0 |
| Revised | 11.6 | 22.7 | 10.0 | 2.6 | -2.1 | -8.1 |

TECHNICAL NOTES

Business sector output is equal to gross national product less the rest-of-the-world sector, general government, output of paid employees of private households and nonprofit institutions, rental value of owner-occupied dwellings, and the statistical discrepancy in computing the national income accounts. Corresponding exclusions are also made in labor inputs. Business output has accounted for about 77 percent of gross national product in recent years.

Total manufacturing measures are computed by summing series prepared for the durable and nondurable goods sectors.

The durable sector includes the following 2-digit SIC industries: Primary metal; fabricated metal products; nonelectrical machinery; electrical machinery; transportation equipment; instruments; lumber and lumber products; furniture and fixtures; stone, clay, and glass products; and miscellaneous manufactures. The nondurable sector includes the following 2-digit SIC industries: Textile mill products, apparel products, leather and leather products, printing and publishing, chemicals and chemical products, petroleum products, rubber and plastic products, foods, and tobacco products.

Manufacturing output has accounted for about 24 percent of gross national product in recent years.

Nonfinancial corporate output is equal to gross national product less the rest-of-the-world sector, general government, unincorporated business, output of paid employees of private households and nonprofit institutions, rental value of owner-occupied dwellings, the output of corporations engaged in banking, finance, stock and commodity trading, and credit and insurance agencies, and the statistical discrepancy in computing the national income accounts. Nonfinancial corporate output has accounted for about 59 percent of gross national product in recent years.

The productivity and associated cost measures in this news release describe the relationship between output in real terms and the labor time involved in its production. They show the changes from period to period in the amount of goods and services produced per hour. Although these measures relate output to hours of all persons engaged in a sector, they do not measure the specific contributions of labor, capital, or any other factor of production. Rather, they reflect the joint effects of many influences, including changes in technology; capital investment; level of output; utilization of capacity, energy, and materials; the organization of production; managerial skill; and the characteristics and effort of the work force.

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PRODUCTIVITY AND COSTS
Fourth Quarter
and Annual Averages, 1983

Productivity, measured by output per hour of all persons, increased at a 2.2 percent seasonally adjusted annual rate during the fourth quarter of 1983 in the business sector, according to preliminary measures announced today by the Bureau of Labor Statistics of the U.S. Department of Labor (table A). Output advanced 5.3 percent and hours of all persons engaged in the sector rose 3.0 percent. Comparing the annual averages for 1983 and 1982, productivity increased 2.6 percent in the business sector, the largest annual average advance since 1976 (when the increase was 3.3 percent). Output rose 4.0 percent from 1982 to 1983, while hours increased 1.4 percent.

The following tabulation shows productivity increases in the fourth quarter at these annual rates for the major sectors:

2.2 percent for the business sector,
1.0 percent for the nonfarm business sector,
5.7 percent for manufacturing as a whole,
6.8 percent for durable goods manufacturing, and
4.2 percent for nondurables.

All of these measures are summarized in table A and appear in detail in tables 1-5.

MOVEMENTS FROM THE THIRD TO THE FOURTH QUARTER OF 1983

Business sector

The 2.2 percent increase in productivity from the third to the fourth quarter resulted from a 5.3 percent rise in output and a 3.0 percent increase in hours of all persons (table 1). Growth in output and hours continued, but at a slower pace than in the second and third quarters. The increase in hours reflected a 3.6 percent gain in employment and a 0.6 percent shortening of the average work week during the fourth quarter.

Hourly compensation, which includes wages and salaries, supplements, and employer contributions to employee-benefit plans, increased 7.1 percent. This was the largest increase in 1983 and reflects a modest nonfarm gain and a large increase in the farm sector. Unit labor costs, which reflect the relationship between changes in hourly compensation and productivity, rose 4.8 percent. This was the largest increase in these costs since the third quarter of 1982.

Real hourly compensation--hourly compensation adjusted for changes in the Consumer Price Index for All Urban Consumers (CPI-U)-- increased 2.2 percent in the fourth quarter (annual rate). During the second and third quarters, this series declined (table 1).

-2-

Table A. Productivity and costs: Preliminary fourth quarter 1983 measures
(Seasonally adjusted annual rates)

| Sector | Productivity | Output | Hours | Hourly compensation | Real hourly compensation | Unit labor costs |
|---|--------------|--------|-------|---------------------|--------------------------|------------------|
| Percent change from preceding quarter | | | | | | |
| Business | 2.2 | 5.3 | 3.0 | 7.1 | 2.2 | 4.8 |
| Nonfarm business | 1.0 | 6.0 | 5.0 | 4.5 | -0.2 | 3.5 |
| Manufacturing | 5.7 | 12.1 | 6.1 | 3.6 | -1.2 | -2.0 |
| Durable | 6.8 | 15.0 | 7.7 | 2.7 | -2.0 | -3.8 |
| Nondurable | 4.2 | 8.2 | 3.8 | 4.6 | -0.2 | 0.3 |
| Percent change from same quarter a year ago | | | | | | |
| Business | 2.8 | 7.4 | 4.5 | 4.9 | 1.5 | 2.0 |
| Nonfarm business | 3.5 | 8.3 | 4.7 | 4.9 | 1.5 | 1.3 |
| Manufacturing | 8.7 | 17.2 | 7.8 | 4.7 | 1.3 | -3.7 |
| Durable | 9.3 | 20.2 | 9.9 | 4.5 | 1.2 | -4.4 |
| Nondurable | 7.9 | 13.1 | 4.8 | 4.5 | 1.1 | -3.2 |
| Annual percent change, 1982 - 1983 | | | | | | |
| Business | 2.6 | 4.0 | 1.4 | 5.2 | 1.9 | 2.5 |
| Nonfarm business | 3.1 | 4.4 | 1.2 | 5.6 | 2.3 | 2.4 |
| Manufacturing | 6.6 | 7.9 | 1.2 | 5.6 | 2.3 | -0.9 |
| Durable | 7.2 | 7.9 | 0.7 | 5.6 | 2.3 | -1.5 |
| Nondurable | 5.8 | 7.9 | 2.0 | 5.7 | 2.4 | -0.1 |

The implicit price deflator for the business sector --which reflects changes in unit labor costs and unit nonlabor payments-- increased at a 3.7 percent annual rate during the fourth quarter. During the third quarter, prices of the goods and services which make up the output of the business sector rose 3.3 percent.

Nonfarm business

Productivity increased at a 1.0 percent annual rate in the nonfarm business sector. The fourth quarter increases in output and hours, 6.0 percent and 5.0 percent respectively, were larger than those in the business sector as a whole. During the third quarter, productivity increased 2.3 percent, and output and hours both grew more rapidly than in the final quarter (table 2).

Nonfarm hourly compensation increased 4.5 percent in the fourth quarter, and unit labor costs rose 3.5 percent. Real hourly compensation declined for the second straight quarter, although the fourth-quarter drop (-0.2 percent) was smaller than the falloff during the third quarter (-0.9 percent). The implicit price deflator increased at a 3.3 percent annual rate during the fourth quarter, matching the third-quarter gain.

Manufacturing

Productivity increased 5.7 percent in manufacturing, reflecting gains of 12.1 percent in output and 6.1 percent in hours. Although these increases are substantial, they represent a slowing from the third-quarter pace (table 3).

Hourly compensation rose at a 3.6 percent annual rate during the fourth quarter, somewhat faster than during the third quarter. Unit labor costs declined at a 2.0 percent annual rate, compared with an 8.4 percent decline in the third quarter. The smaller fourth quarter decline reflects the slowdown in productivity growth and the faster increase in hourly compensation. Unit labor costs also declined during the second quarter in manufacturing, marking the first 3-quarter drop since 1970-71. Real hourly compensation declined at a 1.2 percent annual rate in the fourth quarter; declines occurred during the second and third quarters as well. The more volatile durable goods sector, which accounts for nearly three-fifths of manufacturing output, saw faster gains in output, hours, and productivity in the fourth quarter (tables A, 4, and 5).

SUMMARY OF ANNUAL PRODUCTIVITY AND COST MOVEMENTS: 1983

Business sector

From 1982 to 1983, productivity increased 2.6 percent in the business sector, reflecting a 4.0 percent increase in output and a 1.4 percent rise in hours of all persons engaged in the sector. From 1981 to 1982, productivity fell 0.1 percent, as output and hours both declined (by -2.8 percent and -2.7 percent, respectively). These annual changes are computed by comparing the average levels for each year and are not the same as fourth-quarter to fourth-quarter comparisons. Both may be found in tables A and 1.

Hourly compensation growth moderated (up 5.2 percent in 1983, compared with a 7.7 percent gain in 1982) and, combined with the increase in productivity, resulted in the slower rise in unit labor costs for the year. In 1983, these costs rose 2.5 percent, compared with 7.9 percent in 1982. The 2.5 percent increase was the smallest since 1965. Real hourly compensation increased 1.9 percent in 1983, the largest gain since 1976, and the implicit price deflator rose 3.7 percent in 1983, the smallest rise since 1972.

Nonfarm business

Productivity advanced 3.1 percent in the nonfarm business sector in 1983, which reflects a 4.4 percent rise in output and a 1.2 percent increase in hours of all persons (table 2). The increase in productivity was the largest since 1976 when it rose 3.2 percent. Compensation per hour increased 5.6 percent in 1983, the smallest gain since 1967. Unit labor costs, which account for about two-thirds of the value of output, rose 2.4 percent in 1983. This was the smallest increase since 1965. Real hourly compensation increased 2.3 percent in 1983, partly reflecting slower growth of the CPI-U in 1983.

Manufacturing

Productivity in manufacturing increased 6.6 percent in 1983, the fastest increase in 20 years. (Productivity went up 7.2 percent in 1963.) Output rose 7.9 percent, the largest gain since 1976 (when it rose 9.6 percent), while hours increased only 1.2 percent.

Hourly compensation increased 5.6 percent in 1983, the smallest such gain since 1972. Unit labor costs declined 0.9 percent for 1983. This year was the first during which unit labor costs declined in manufacturing since 1965 (when it dropped 1.1 percent). Real hourly compensation in manufacturing rose 2.3 percent in 1983, about the same as in 1982 (table 3).

Nonfinancial corporations: Third quarter 1983

The Bureau of Labor Statistics also reported revised measures for the third quarter of 1983 for the nonfinancial corporate sector. As can be seen in table B, productivity advanced more slowly from the second to the third quarter than was reported on November 30, 1983, based on preliminary measures. Changes in productivity and costs in this sector for 1982 and 1983 are shown in table 6.

Table B. Nonfinancial corporations: Preliminary and revised third-quarter productivity and cost measures, quarterly change at seasonally adjusted annual rate.

| Item | Productivity | Output | Hours | Hourly compensation | Real hourly compensation | Unit labor costs | Unit profits | Implicit price deflator |
|-------------|--------------|--------|-------|---------------------|--------------------------|------------------|--------------|-------------------------|
| Preliminary | 5.2 | 11.3 | 5.7 | 3.9 | -0.8 | -1.3 | 70.7 | 2.9 |
| Revised | 4.2 | 11.1 | 6.6 | 3.0 | -1.7 | -1.1 | 71.0 | 3.1 |

TECHNICAL NOTES

Business sector output is equal to gross national product less the rest-of-the-world sector, general government, output of paid employees of private households and nonprofit institutions, rental value of owner-occupied dwellings, and the statistical discrepancy in computing the national income accounts. Corresponding exclusions are also made in labor inputs. Business output has accounted for about 77 percent of gross national product in recent years.

Total manufacturing measures are computed by summing series prepared for the durable and nondurable goods sectors.

The durable sector includes the following 2-digit SIC industries: Primary metal; fabricated metal products; nonelectrical machinery; electrical machinery; transportation equipment; instruments; lumber and lumber products; furniture and fixtures; stone, clay, and glass products; and miscellaneous manufactures. The nondurable sector includes the following 2-digit SIC industries: Textile mill products, apparel products, leather and leather products, printing and publishing, chemicals and chemical products, petroleum products, rubber and plastic products, foods, and tobacco products.

Manufacturing output has accounted for about 24 percent of gross national product in recent years.

Nonfinancial corporate output is equal to gross national product less the rest-of-the-world sector, general government, unincorporated business, output of paid employees of private households and nonprofit institutions, rental value of owner-occupied dwellings, the output of corporations engaged in banking, finance, stock and commodity trading, and credit and insurance agencies, and the statistical discrepancy in computing the national income accounts. Nonfinancial corporate output has accounted for about 59 percent of gross national product in recent years.

The productivity and associated cost measures in this news release describe the relationship between output in real terms and the labor time involved in its production. They show the changes from period to period in the amount of goods and services produced per hour. Although these measures relate output to hours of all persons engaged in a sector, they do not measure the specific contributions of labor, capital, or any other factor of production. Rather, they reflect the joint effects of many influences, including changes in technology; capital investment; level of output; utilization of capacity, energy, and materials; the organization of production; managerial skill; and the characteristics and effort of the work force.

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Tuesday, February 28, 1984

PRODUCTIVITY AND COSTS

Revised Annual and Fourth Quarter Data for
Business, Nonfarm Business, and Manufacturing and
Preliminary 1983 Measures for the Nonfinancial Corporate Sector

Productivity, as measured by output per hour of all persons, increased at a 2.2 percent seasonally adjusted annual rate in the business sector in the fourth quarter of 1983, according to the Bureau of Labor Statistics of the U.S. Department of Labor (table A).

The average level of output per hour of all persons in 1983 in the business sector was 2.6 percent higher than in the preceding year; in the nonfinancial corporate sector--a smaller sector--it was 3.2 percent for 1983. The latter increase was the largest since 1971.

In the fourth quarter of 1983, productivity increased at these annual rates in major sectors:

- 2.2 percent in the business sector,
- 0.9 percent in the nonfarm business sector,
- 4.2 percent in manufacturing,
- 4.9 percent in durable goods manufacturing, and
- 3.3 percent in nondurables.

These measures are summarized in table A and appear in detail in tables 1-5.

Business sector

Productivity increased at a 2.2 percent seasonally adjusted annual rate in the fourth quarter of 1983 in the business sector, reflecting a 5.4 percent increase in output and a 3.1 percent increase in hours of all persons engaged in the sector. During the third quarter, productivity rose 1.2 percent, as output and hours increased 7.8 percent and 6.5 percent, respectively (table 1).

Hourly compensation--which includes employer expenditures for wages and salaries, supplements, payments for social security, private pension and health plans, and other employee benefits--increased 7.0 percent in the fourth quarter, compared with a 3.6 percent rise during the third quarter. Unit labor costs, which reflect the relationship between changes in hourly compensation and productivity, rose 4.7 percent in the fourth quarter of 1983, compared with a 2.3 percent increase during the third quarter.

Real hourly compensation--which takes into account changes in the Consumer Price Index for All Urban Consumer (CPI-U)--increased 2.4 percent in the fourth quarter. During the 2^o preceding quarters, real hourly compensation declined in this sector. The implicit price deflator for the business sector--which reflects changes in unit labor costs and unit nonlabor payments--increased 4.1 percent in the fourth quarter. During the third quarter, this measure of the change in prices for the goods and services which make up the output of the business sector rose 3.3 percent (seasonally adjusted annual rate).



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Nonfarm business

Productivity increased 0.9 percent in the nonfarm business sector during the fourth quarter of 1983. Although the gain in productivity was smaller than in the business sector as a whole, nonfarm output and hours both grew more rapidly (table 2).

Hourly compensation increased at a 4.4 percent annual rate in nonfarm business in the fourth quarter, and unit labor cost rose 3.5 percent. Real hourly compensation showed no change from the third quarter. The implicit price deflator increased 3.7 percent in the closing quarter of 1983, compared with a 3.3 percent rise during the third quarter.

Table A. Productivity and costs: Revised fourth quarter and annual 1983 measures
(Seasonally adjusted annual rates)

| Sector | Productivity | Output | Hours | Hourly compensation | Real hourly compensation | Unit labor costs |
|---|--------------|--------|-------|---------------------|--------------------------|------------------|
| REVISED | | | | | | |
| Percent change from preceeding quarter | | | | | | |
| Business | 2.2 | 5.4 | 3.1 | 7.0 | 2.4 | 4.7 |
| Nonfarm business | 0.9 | 6.0 | 5.1 | 4.4 | 0.0 | 3.5 |
| Manufacturing | 4.2 | 10.6 | 6.1 | 4.0 | -0.4 | -0.2 |
| Durable | 4.9 | 13.5 | 8.2 | 2.9 | -1.5 | -1.9 |
| Nondurable | 3.3 | 6.6 | 3.2 | 5.3 | 0.8 | 2.0 |
| Percent change from same quarter a year ago | | | | | | |
| Business | 2.8 | 7.5 | 4.5 | 4.8 | 1.5 | 2.0 |
| Nonfarm business | 3.5 | 8.3 | 4.7 | 4.8 | 1.5 | 1.3 |
| Manufacturing | 8.3 | 16.8 | 7.8 | 4.8 | 1.5 | -3.2 |
| Durable | 8.8 | 19.8 | 10.1 | 4.6 | 1.2 | -3.9 |
| Nondurable | 7.7 | 12.7 | 4.7 | 4.7 | 1.3 | -2.8 |
| Annual percent change, 1982 - 1983 | | | | | | |
| Business | 2.6 | 4.0 | 1.4 | 5.2 | 1.9 | 2.5 |
| Nonfarm business | 3.1 | 4.4 | 1.2 | 5.6 | 2.3 | 2.4 |
| Manufacturing | 6.5 | 7.8 | 1.3 | 5.6 | 2.3 | -0.8 |
| Durable | 7.0 | 7.8 | 0.8 | 5.6 | 2.3 | -1.3 |
| Nondurable | 5.7 | 7.8 | 1.9 | 5.8 | 2.5 | 0.0 |

Manufacturing

Manufacturing productivity increased 4.2 percent in the fourth quarter, as output increased 10.6 percent and hours rose 6.1 percent (seasonally adjusted annual rates). During the third quarter, these increases were 12.2 percent, 23.2 percent, and 9.8 percent, respectively (table 3). Hourly compensation increased 4.0 percent during the fourth quarter, compared with a 2.7 percent increase during the preceding quarter. Unit labor costs declined for the third consecutive quarter in the last 3 months of 1983. Real hourly compensation also declined for the third consecutive quarter, showing a 0.4 percent drop during the fourth quarter. Productivity, output, and hours all grew more rapidly in durable goods than in nondurables (tables 4,5).

Nonfinancial corporations

Productivity in nonfinancial corporations increased 3.2 percent in 1983 as output rose 4.2 percent while hours increased 1.0 percent (table 6). This was the largest annual gain in corporate productivity since 1971 (when it rose 4.7 percent). Table B shows annual changes in productivity from 1973 to 1983 for the major sectors reported above.

Table B. Annual changes in productivity, output, and hours, 1973-83.

| Measure | 1973 | 1974 | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 |
|---------------------------|------|------|------|------|------|------|------|------|------|------|------|
| Business | | | | | | | | | | | |
| Productivity | 2.6 | -2.4 | 2.2 | 3.3 | 2.4 | 0.6 | -1.2 | -0.5 | 2.4 | -0.1 | 2.6 |
| Output | 6.6 | -2.0 | -2.0 | 6.4 | 6.6 | 5.5 | 2.3 | -1.3 | 3.1 | -2.8 | 4.0 |
| Hours | 3.9 | 0.4 | -4.1 | 3.0 | 4.1 | 4.9 | 3.5 | -0.8 | 0.7 | -2.7 | 1.4 |
| Nonfarm Business | | | | | | | | | | | |
| Productivity | 2.4 | -2.5 | 2.0 | 3.2 | 2.2 | 0.6 | -1.5 | -0.7 | 1.9 | -0.1 | 3.1 |
| Output | 6.8 | -2.0 | -2.2 | 6.7 | 6.7 | 5.7 | 2.2 | -1.4 | 2.7 | -2.8 | 4.4 |
| Hours | 4.3 | 0.5 | -4.1 | 3.4 | 4.4 | 5.0 | 3.7 | -0.7 | 0.7 | -2.7 | 1.2 |
| Manufacturing | | | | | | | | | | | |
| Productivity | 5.4 | -2.4 | 2.9 | 4.4 | 2.5 | 0.8 | 0.7 | 0.2 | 3.5 | 1.2 | 6.5 |
| Output | 11.2 | -4.2 | -7.1 | 9.6 | 6.9 | 5.3 | 2.7 | -4.4 | 2.9 | -6.9 | 7.8 |
| Hours | 5.5 | -1.9 | -9.7 | 4.9 | 4.2 | 4.5 | 2.0 | -4.5 | -0.6 | -8.0 | 1.3 |
| Nonfinancial Corporations | | | | | | | | | | | |
| Productivity | 2.4 | -3.7 | 2.9 | 2.9 | 1.8 | 0.9 | -0.2 | -0.9 | 2.5 | 0.5 | 3.2 |
| Output | 7.9 | -3.2 | -2.0 | 7.4 | 6.7 | 6.3 | 3.5 | -1.9 | 3.3 | -3.4 | 4.2 |
| Hours | 5.4 | 0.5 | -4.7 | 4.3 | 4.9 | 5.4 | 3.7 | -1.0 | 0.7 | -3.8 | 1.0 |

Hourly compensation increased 4.9 percent in nonfinancial corporations in 1983, the smallest rise since 1965. During 1982, hourly compensation rose 7.8 percent. After allowing for the increase in the CPI-U, real hourly compensation rose 1.6 percent in both 1983 and 1982.

Unit labor costs increased 1.6 percent in 1983, substantially down from the 7.3 percent increase in 1982. Unit nonlabor payments--capital consumption allowances, net interest, indirect business taxes, and profits per unit of output--rose 7.8 percent in 1983 and 2.4 percent in 1982. Unit profits were 35.4 percent higher in 1983 than in 1982. During 1982, unit profits were 14.6 percent lower than the year before. The increase in profit per unit of output in 1983 was the largest since 1975, when they increased 38.1 percent.

Revised measures

The latest productivity measures for the fourth quarter of 1983 were unchanged for the business sector, slightly smaller for nonfarm business and somewhat smaller for manufacturing than had been reported on January 30, based on preliminary information. Preliminary and revised results are compared in table C.

Revisions in the quarterly change of real hourly compensation reflect the introduction of new seasonal factors used to adjust the monthly CPI-U. The new factors affect movements in real hourly compensation from 1970 forward.

Table C. Preliminary and revised productivity and related measures, fourth quarter 1983:
Percent change from previous quarter at annual rate
(Seasonally adjusted)

| Sector | Productivity | Output | Hours | Hourly compensation | Real hourly compensation | Unit labor cost |
|-------------------|--------------|--------|-------|---------------------|--------------------------|-----------------|
| Business: | | | | | | |
| Preliminary | 2.2 | 5.3 | 3.0 | 7.1 | 2.2 | 4.8 |
| Revised | 2.2 | 5.4 | 3.1 | 7.0 | 2.4 | 4.7 |
| Nonfarm business: | | | | | | |
| Preliminary | 1.0 | 6.0 | 5.0 | 4.5 | -0.2 | 3.5 |
| Revised | 0.9 | 6.0 | 5.1 | 4.4 | 0.0 | 3.5 |
| Manufacturing: | | | | | | |
| Preliminary | 5.7 | 12.1 | 6.1 | 3.6 | -1.2 | -2.0 |
| Revised | 4.2 | 10.6 | 6.1 | 4.0 | -0.4 | -0.2 |

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PRODUCTIVITY AND COSTS

First Quarter 1984

Productivity, as measured by output per hour of all persons, increased at a 2.9 percent seasonally adjusted annual rate in the first quarter of 1984 in the business sector, according to preliminary measures announced today by the Bureau of Labor Statistics of the U.S. Department of Labor.

The following tabulation shows the annual rate of productivity increase in the first quarter in major sectors:

2.9 percent in the business sector,
2.6 percent in the nonfarm business sector,
2.5 percent in manufacturing,
5.0 percent in durable goods manufacturing, and
-1.2 percent in nondurables goods manufacturing.

First quarter measures are summarized in table A and appear in detail in tables 1 through 5.

Business sector

Productivity increased at a 2.9 percent seasonally adjusted annual rate in the first quarter of 1984 in the business sector, reflecting a 10.3 percent increase in output and a 7.2 percent increase in hours of all persons engaged in the sector. The increase in hours was the largest since 1978 (when a 10.5 percent gain occurred in the second quarter), and the increase in output was the largest since last year (when output rose 12.7 percent in the second quarter of 1983). The increase in hours reflects gains in both the number of persons employed and average weekly hours during the first quarter. The 2.9 percent increase in the length of the average workweek is the largest in this series, which begins with data for 1947.

During the fourth quarter of 1983, productivity rose 4.2 percent, as output increased 7.6 percent and hours 3.3 percent.

Hourly compensation--which includes employer expenditures for wages and salaries, supplements, payments for social security, private pension and health plans, and other employee benefits--increased 6.0 percent in the first quarter, compared with a 6.9 percent gain in the fourth quarter of 1983. Unit labor costs, which reflect the relationship between changes in hourly compensation and productivity, increased at a 3.0 percent annual rate in the first quarter of 1984, compared to a 2.5 percent gain during the fourth quarter of 1983. The faster rate of increase in the first quarter reflected slower productivity growth; hourly compensation gains slowed in the first quarter.



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Table A. Productivity and costs: Percent change at seasonally adjusted annual rates

| Sector | Productivity | Output | Hours | Hourly compensation | Real hourly compensation | Unit labor costs |
|---|--------------|--------|-------|---------------------|--------------------------|------------------|
| PRELIMINARY | | | | | | |
| Fourth quarter 1983 to first quarter 1984 | | | | | | |
| Business | 2.9 | 10.3 | 7.2 | 6.0 | 1.0 | 3.0 |
| Nonfarm business | 2.6 | 9.9 | 7.2 | 6.1 | 1.0 | 3.4 |
| Manufacturing | 2.5 | 12.7 | 9.9 | 6.3 | 1.3 | 3.7 |
| Durable | 5.0 | 18.8 | 13.1 | 6.8 | 1.7 | 1.6 |
| Nondurable | -1.2 | 4.1 | 5.3 | 4.9 | -0.1 | 6.1 |
| First quarter 1983 to first quarter 1984 | | | | | | |
| Business | 3.5 | 9.6 | 5.8 | 5.0 | 0.5 | 1.4 |
| Nonfarm business | 3.7 | 10.1 | 6.2 | 4.6 | 0.2 | 1.0 |
| Manufacturing | 6.9 | 16.7 | 9.2 | 3.8 | -0.7 | -2.9 |
| Durable | 8.1 | 20.8 | 11.8 | 3.5 | -0.9 | -4.3 |
| Nondurable | 5.1 | 11.0 | 5.6 | 3.6 | -0.8 | -1.4 |

Real hourly compensation--which is adjusted to account for changes in the Consumer Price Index for All Urban Consumer (CPI-U)--increased 1.0 percent in the first quarter, compared with a 2.3 percent increase a quarter earlier. The implicit price deflator--which reflects changes in unit labor costs and unit nonlabor payment combined--increased 3.5 percent in the first quarter. During the fourth quarter of 1983, the deflator, which measures the change in prices of the goods and services that make up the output of the business sector, rose 3.7 percent (seasonally adjusted annual rates).

Nonfarm business

Productivity increased 2.6 percent in the nonfarm business sector in the first quarter of 1984. Output increased at a 9.9 percent annual rate, and hours rose 7.2 percent (table 2). Hourly compensation increased 6.1 percent in the first quarter, compared with a 4.3 percent gain a quarter earlier. Unit labor costs rose 3.4 percent, compared with a 1.6 percent increase in the fourth quarter of 1983. Real hourly compensation increased 1.0 percent in the first quarter; during the fourth quarter of 1983, it declined 0.1 percent. The implicit price deflator increased 2.5 percent, compared with a 3.7 percent increase one quarter earlier.

Manufacturing

Productivity increased 2.5 percent in manufacturing during the first quarter; output rose 12.7 percent and hours increased 9.9 percent (seasonally adjusted annual rates). Productivity advanced in durables (5.0 percent) but fell among producers of nondurable goods (-1.2 percent) (tables A and 3 through 5). Output of durables increased 18.8 percent and hours rose 13.1 percent. By contrast, output and hours rose 4.1 percent and 5.3 percent, respectively, in nondurables. The increase in hours reflected employment gains in both subsectors, but the employment gain in durables was a good deal larger than in nondurables.

Hourly compensation increased 6.3 percent in manufacturing as a whole in the first quarter, the largest increase in a year. Unit labor costs increased 3.7 percent, the first rise since the first quarter of 1983 (table 3). After allowing for the increase in the CPI-U, real hourly compensation in manufacturing increased 1.3 percent in the first quarter, the first increase in a year.

Fourth-quarter measures for nonfinancial corporations

Fourth-quarter 1983 measures of productivity and costs were also announced today for the nonfinancial corporate sector, together with revised annual movements (tables B and C). Output per all-employee hour increased 3.4 percent in the fourth quarter of 1983, as output rose 9.3 percent and employee-hours rose 5.7 percent (table 6). Hourly compensation increased 4.6 percent and unit labor costs rose 1.2 percent. Unit profits closed the year with a 42.4 percent annual rate of increase in the fourth quarter; substantial increases also occurred during the first 3 quarters (table 6).

Table B. Nonfinancial corporations: Preliminary fourth quarter and revised annual productivity and cost measures, quarterly change at seasonally adjusted annual rates

Percent change

| Period | Productivity | Output | Hours | Hourly compensation | Real hourly compensation | Unit labor costs | Unit profits | Implicit price deflator |
|--|--------------|--------|-------|---------------------|--------------------------|------------------|--------------|-------------------------|
| Third quarter 1983 to fourth quarter 1983 | 3.4 | 9.3 | 5.7 | 4.6 | 0.2 | 1.2 | 42.4 | 3.5 |
| Fourth quarter 1982 to fourth quarter 1983 | 4.3 | 9.8 | 5.3 | 4.1 | 0.7 | -0.2 | 73.1 | 3.6 |
| 1983 annual average | 3.3 | 4.4 | 1.0 | 4.8 | 1.5 | 1.4 | 37.4 | 3.6 |

Revised annual measures showed little change from preliminary figures announced on February 28, based on information then available. The revised measures show slightly larger increases in productivity and output (table C).

Table C. Nonfinancial corporations: Preliminary and revised 1983 annual percent change in productivity and cost measures

| Item | Productivity | Output | Hours | Hourly compensation | Real hourly compensation | Unit labor costs | Unit profits | Implicit price deflator |
|-------------|--------------|--------|-------|---------------------|--------------------------|------------------|--------------|-------------------------|
| Preliminary | 3.2 | 4.2 | 1.0 | 4.9 | 1.6 | 1.6 | 35.4 | 3.6 |
| Revised | 3.3 | 4.4 | 1.0 | 4.8 | 1.5 | 1.4 | 37.4 | 3.6 |

TECHNICAL NOTES

Business sector output is equal to gross national product less the rest-of-the-world sector, general government, output of paid employees of private households and nonprofit institutions, rental value of owner-occupied dwellings, and the statistical discrepancy in computing the national income accounts. Corresponding exclusions are also made in labor inputs. Business output has accounted for about 77 percent of gross national product in recent years.

Total manufacturing measures are computed by summing series prepared for the durable and nondurable goods sectors.

The durable sector includes the following 2-digit SIC industries: Primary metal; fabricated metal products; nonelectrical machinery; electrical machinery; transportation equipment; instruments; lumber and lumber products; furniture and fixtures; stone, clay, and glass products; and miscellaneous manufactures. The nondurable sector includes the following 2-digit SIC industries: Textile mill products, apparel products, leather and leather products, printing and publishing, chemicals and chemical products, petroleum products, rubber and plastic products, foods, and tobacco products.

Manufacturing output has accounted for about 24 percent of gross national product in recent years.

Nonfinancial corporate output is equal to gross national product less the rest-of-the-world sector, general government, unincorporated business, output of paid employees of private households and nonprofit institutions, rental value of owner-occupied dwellings, the output of corporations engaged in banking, finance, stock and commodity trading, and credit and insurance agencies, and the statistical discrepancy in computing the national income accounts. Nonfinancial corporate output has accounted for about 59 percent of gross national product in recent years.

The productivity and associated cost measures in this news release describe the relationship between output in real terms and the labor time involved in its production. They show the changes from period to period in the amount of goods and services produced per hour. Although these measures relate output to hours of all persons engaged in a sector, they do not measure the specific contributions of labor, capital, or any other factor of production. Rather, they reflect the joint effects of many influences, including changes in technology; capital investment; level of output; utilization of capacity, energy, and materials; the organization of production; managerial skill; and the characteristics and effort of the work force.

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PRODUCTIVITY AND COSTS

First Quarter 1984

Revised Data for Business, Nonfarm Business, and Manufacturing Sectors and Preliminary Measures for Nonfinancial Corporations

Productivity, as measured by output per hour of all persons, increased at a 4.1 percent seasonally adjusted annual rate in the first quarter of 1984 in the business sector, according to revised measures announced today by the Bureau of Labor Statistics of the U.S. Department of Labor (table A). This increase in productivity reflected an 11.8 percent gain in output and a 7.3 percent rise in hours of all persons engaged in the sector. Productivity increased 2.0 percent in nonfinancial corporations, according to preliminary measures announced today for this sector (table B).

The following tabulation shows the annual rates of productivity increase in the first quarter in major sectors:

- 4.1 percent in the business sector,
- 3.5 percent in the nonfarm business sector,
- 2.9 percent in manufacturing,
- 5.3 percent in durable goods manufacturing,
- 0.6 percent in nondurables goods manufacturing, and
- 2.0 percent in nonfinancial corporations.

The first-quarter measures are summarized in tables A and B and appear in greater detail in tables 1 through 6.

Business sector

First-quarter productivity advanced 4.1 percent in the business sector, as output rose 11.8 percent and hours increased 7.3 percent (seasonally adjusted annual rates). Although the increase in productivity was somewhat smaller than the gain during the fourth quarter of 1983 (4.2 percent), output and hours both grew substantially faster in the first quarter of 1984 (table 1). The first-quarter increase in output was the largest since the second quarter of 1983 (when it rose 12.7 percent) and the gain in hours was the largest since 1978 (when it increased 10.5 percent in the second quarter). Moreover, both employment and average weekly hours grew faster in the first quarter of 1984 than in the fourth quarter of 1983. The increase in average weekly hours (3.0 percent) was the largest quarterly gain in this series, which begins with 1947.

Hourly compensation, which includes wages, salaries, and employer contributions to employee benefit plans, increased at a 5.9 percent annual rate, compared with a 6.9 percent increase during the fourth quarter of last year. Real hourly compensation, which is adjusted for changes in the Consumer Price Index for All Urban Consumers (CPI-U), rose only 0.9 percent in the first quarter, reflecting both the somewhat smaller gain in hourly compensation and the larger gain in the CPI-U than in the fourth quarter.



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Table A. Productivity and cost: Revised first quarter 1984 measures
(Seasonally adjusted annual rates)

| Sector | Productivity | Output | Hours | Hourly compensation | Real hourly compensation | Unit labor costs |
|---|--------------|--------|-------|---------------------|--------------------------|------------------|
| Percent change from preceding quarter | | | | | | |
| Business | 4.1 | 11.8 | 7.3 | 5.9 | 0.9 | 1.7 |
| Nonfarm business | 3.5 | 11.1 | 7.3 | 6.0 | 1.0 | 2.4 |
| Manufacturing | 2.9 | 13.2 | 10.1 | 6.3 | 1.3 | 3.3 |
| Durable | 5.3 | 19.3 | 13.4 | 6.7 | 1.6 | 1.3 |
| Nondurable | -0.6 | 4.7 | 5.3 | 5.0 | 0.0 | 5.5 |
| Percent change from same quarter a year ago | | | | | | |
| Business | 3.9 | 10.0 | 5.9 | 5.0 | 0.5 | 1.1 |
| Nonfarm business | 3.9 | 10.4 | 6.3 | 4.6 | 0.1 | 0.7 |
| Manufacturing | 6.7 | 16.6 | 9.3 | 3.8 | -0.7 | -2.7 |
| Durable | 7.9 | 20.6 | 11.8 | 3.5 | -0.9 | -4.1 |
| Nondurable | 5.0 | 10.9 | 5.6 | 3.6 | -0.8 | -1.3 |

Unit labor costs--which reflect the interaction of changes in productivity and hourly compensation--increased less in the first quarter of 1984 (1.7 percent) than in the fourth quarter of 1983 (2.5 percent) mainly because hourly compensation rose less than in the previous quarter.

The implicit price deflator--which shows the effects of changes in unit labor costs and unit nonlabor payments--increased at a 3.0 percent annual rate during the first quarter of 1984. One quarter earlier, it increased 3.7 percent.

Nonfarm business

Output per hour of all persons in the nonfarm business sector rose at a 3.5 percent annual rate in the first quarter of 1984, as output increased 11.1 percent and hours rose 7.3 percent. Productivity, output, and hours all grew more in the first quarter than during the fourth quarter of last year (table 2). As in the more comprehensive business sector, the increase in nonfarm output was the largest since the second quarter of last year (when it rose 13.7 percent), and the increase in hours (the largest since 1978) reflected strong gains in both employment and average weekly hours. The increase in the length of the average workweek of 2.7 percent was the largest since a 2.9 percent gain occurred in 1978.

Hourly compensation increased at a 6.0 percent annual rate during the first quarter, compared with a 4.3 percent increase during the fourth quarter of 1983. After allowing for the increase in the CPI-U, real hourly compensation rose 1.0 percent in the first quarter, the first increase in this measure in a year (table 2). Unit labor costs rose more rapidly in the first quarter than in the fourth quarter of last year despite of the faster increase in productivity. The 2.4 percent gain in the first quarter was the largest in a year. The implicit price deflator for the nonfarm business sector increased 2.1 percent in the first quarter, compared with a 3.7 percent gain in the fourth quarter. The first-quarter price increase was the smallest for the goods and services which make up the output of the nonfarm business sector since 1972 (when a 1.0 percent increase was recorded in the third quarter).

Manufacturing

Productivity rose at a 2.9 percent annual rate in the first quarter in manufacturing, reflecting an output increase of 13.2 percent and an increase in hours of 10.1 percent. Although productivity grew more slowly than in the previous quarter, output and hours both increased faster (table 3). Hourly compensation rose 6.3 percent (the largest increase in a year), and real hourly compensation increased 1.3 percent--the first increase in real hourly compensation in a year. Unit labor costs moved up at a 3.3 percent annual rate, compared with a 0.2 percent rise during the fourth quarter of last year.

Productivity moved in opposite directions in the durable- and nondurable-goods sectors during the first quarter of 1984. While output per hour of all persons increased 5.3 percent in the durable-goods industries (reflecting steep increases in both output and hours), it declined 0.6 percent in nondurables where increases in output and hours were more modest (tables 4 and 5). These divergent productivity movements are reflected in the rate of increase in unit labor costs; for durables unit labor costs rose only 1.3 percent, while among nondurables, they went up at a 5.5 percent annual rate.

Nonfinancial corporations

Productivity increased 2.0 percent in the nonfinancial corporate sector during the first quarter of 1984, according to preliminary measures. This sector, which includes all corporations doing business in the United States with the exception of financial institutions, stock and commodity brokers, and insurance agencies, showed a 9.6 percent increase in output and a 7.5 percent gain in employee-hours. Although the productivity gain was smaller than the increase during the fourth quarter of 1983 (3.4 percent), it resulted from larger increases in output and hours (table 6). The increase in employee hours reflected gains both employment and average weekly hours. The rise in employment (5.7 percent) was the largest since the second quarter of 1978 (when it rose at an 8.7 percent annual rate).

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Table B. Productivity and cost in nonfinancial corporations:
 Preliminary first quarter 1984 measures
 (Seasonally adjusted annual rate)

| Sector | Productivity | Output | Hours | Hourly compensation | Real hourly compensation | Unit labor costs | Unit profit |
|---|--------------|--------|-------|---------------------|--------------------------|------------------|-------------|
| PRELIMINARY | | | | | | | |
| Fourth-quarter 1983 to first-quarter 1984 | | | | | | | |
| Nonfinancial corporations | 2.0 | 9.6 | 7.5 | 4.5 | -0.5 | 2.5 | 9.6 |
| First-quarter 1983 to first-quarter 1984 | | | | | | | |
| Nonfinancial corporations | 4.0 | 11.1 | 6.8 | 3.8 | -0.7 | -0.2 | 52.9 |

Hourly compensation increased 4.5 percent in the first quarter, about the same as the increase during the fourth quarter. However, owing partly to the slower gains in productivity, unit labor costs moved up faster in the first quarter (2.5 percent) than in the fourth quarter of last year (1.2 percent). Real hourly compensation declined at a 0.5 percent annual rate. The implicit price deflator for nonfinancial corporations, which reflects changes in unit labor costs, unit nonlabor costs, and unit profits, increased 1.9 percent in the first quarter, the smallest increase since 1982 (when it rose 1.9 percent in the third quarter). Unit nonlabor costs fell 2.7 percent, and unit profits increased 9.6 percent in the first quarter. Table C compares changes in the implicit price deflator and its components from 1979 on. The first quarter increase in unit profits was the smallest since 1982 (when a 31.4 percent decline occurred in the fourth quarter).

Table C. Indexes of price, cost, and profit in nonfinancial corporations (1977=100)

| Measure | 1979 | 1980 | 1981 | 1982 | 1983 | 1983 | | | | 1984 |
|-------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | | | | | | I | II | III | IV | I |
| Implicit price deflator | 114.1 | 126.4 | 138.3 | 146.1 | 151.4 | 149.7 | 150.7 | 151.8 | 153.2 | 153.9 |
| Total unit costs | 116.6 | 131.7 | 142.7 | 153.5 | 155.2 | 156.7 | 155.3 | 154.5 | 154.4 | 154.8 |
| Unit labor costs | 117.8 | 131.2 | 140.3 | 150.6 | 152.8 | 153.9 | 152.5 | 152.1 | 152.6 | 153.5 |
| Unit nonlabor costs | 113.0 | 133.0 | 149.4 | 161.8 | 162.1 | 164.7 | 163.1 | 161.2 | 159.6 | 158.4 |
| Unit profits | 94.5 | 86.0 | 104.1 | 88.9 | 122.1 | 96.1 | 115.0 | 131.5 | 143.6 | 146.9 |

Revised measures

The incorporation of the latest information on output and the hours of all persons engaged in a sector in the first quarter resulted in larger productivity growth rates in business, nonfarm business, and manufacturing than in the preliminary data. Table D compares the revised measures with preliminary result announced April 26.

In addition, revisions to quarterly output measures were introduced in the manufacturing sector; measures of productivity and unit labor costs were also affected. (See tables 3 through 5). Small changes in output levels occurred beginning in the fourth quarter of 1977 in manufacturing.

Table D. Preliminary and revised productivity and related measures, first quarter 1984
Percent change from previous quarter at annual rate
(Seasonally adjusted)

| Sector | Productivity | Output | Hours | Hourly compensation | Real hourly compensation | Unit labor costs |
|--------------------------|--------------|--------|-------|---------------------|--------------------------|------------------|
| Business: | | | | | | |
| Preliminary | 2.9 | 10.3 | 7.2 | 6.0 | 1.0 | 3.0 |
| Revised | 4.1 | 11.8 | 7.3 | 5.9 | 0.9 | 1.7 |
| Nonfarm business: | | | | | | |
| Preliminary | 2.6 | 9.9 | 7.2 | 6.1 | 1.0 | 3.4 |
| Revised | 3.5 | 11.1 | 7.3 | 6.0 | 1.0 | 2.4 |
| Manufacturing: | | | | | | |
| Preliminary | 2.5 | 12.7 | 9.9 | 6.3 | 1.3 | 3.7 |
| Revised | 2.9 | 13.2 | 10.1 | 6.3 | 1.3 | 3.3 |

TECHNICAL NOTES

Business sector output is equal to gross national product, less the rest-of-the-world sector, general government, output of paid employees of private households and nonprofit institutions, rental value of owner-occupied dwellings, and the statistical discrepancy in computing the national income accounts. Corresponding exclusions are also made in labor inputs. Business output has accounted for about 77 percent of gross national product in recent years.

Total manufacturing measures are computed by summing series prepared for the durable and nondurable goods sectors.

The durable sector includes the following 2-digit SIC industries: Primary metals; fabricated metal products; nonelectrical machinery; electrical machinery; transportation equipment; instruments; lumber and lumber products; furniture and fixtures; stone, clay, and glass products; and miscellaneous manufactures. The nondurable sector includes the following 2-digit SIC industries: Textile mill products, apparel products, leather and leather products, printing and publishing, chemicals and chemical products, petroleum products, rubber and plastic products, foods, and tobacco products.

Manufacturing output has accounted for about 24 percent of gross national product in recent years.

Nonfinancial corporate output is equal to gross national product, less the rest-of-the-world sector, general government, unincorporated business, output of paid employees of private households and nonprofit institutions, rental value of owner-occupied dwellings, the output of corporations engaged in banking, finance, stock and commodity trading, and credit and insurance agencies, and the statistical discrepancy in computing the national income accounts. Nonfinancial corporate output has accounted for about 59 percent of gross national product in recent years.

The productivity and associated cost measures in this news release describe the relationship between output in real terms and the labor time involved in its production. They show the changes from period to period in the amount of goods and services produced per hour. Although these measures relate output to hours of all persons engaged in a sector, they do not measure the specific contributions of labor, capital, or any other factor of production. Rather, they reflect the joint effects of many influences, including changes in technology; capital investment; level of output; utilization of capacity, energy, and materials; the organization of production; managerial skill; and the characteristics and effort of the work force.

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Tuesday, July 31 1984

PRODUCTIVITY AND COSTS

Second Quarter 1984

Business, Nonfarm Business, and Manufacturing Sectors

Productivity, as measured by output per hour of all persons, increased at a 2.8 percent seasonally adjusted annual rate in the second quarter of 1984 in the business sector, according to preliminary measures announced today by the Bureau of Labor Statistics of the U.S. Department of Labor (table A). During the first quarter, productivity advanced 4.0 percent, according to revised measures.

The following tabulation shows the annual rate of productivity increase in the second quarter in major sectors:

- 2.8 percent in the business sector,
- 3.3 percent in the nonfarm business sector,
- 3.2 percent in manufacturing,
- 2.2 percent in durable goods manufacturing, and
- 4.7 percent in nondurables goods manufacturing.

Second quarter measures are summarized in table A and appear in detail in tables 1 through 5.

All of the productivity and cost measures in this release incorporate revised output and compensation measures reported by the Bureau of Economic Analysis of the U.S. Department of Commerce on July 23, 1984, as part of the regular revision cycle of the National Income and Product Accounts--the Gross National Product (GNP) measures. These revisions affected the productivity and cost measures beginning with 1981.

In addition, revised values for seasonally adjusting measures of employment and average weekly hours were introduced. Also, data for employees of nonagricultural establishments were re-benchmarked to the most recent levels from Unemployment Insurance data and improved estimates of employment levels in agricultural services were incorporated. These additional changes affected, in some cases, measures for years prior to 1981. Historical information, which shows the effect of these revisions, is available on request from the Office of Productivity and Technology, Bureau of Labor Statistics, Washington, D.C. 20212; telephone (202) 523-9261.

The appendix tables contained in this news release present the productivity and related measures for the entire period affected by the GNP revisions--1981 forward.



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Table A. Productivity and costs: Percent change at annual rate
(Seasonally adjusted)

| Sector | Productivity | Output | Hours | Hourly compensation | Real hourly compensation | Unit labor costs |
|--|--------------|--------|-------|---------------------|--------------------------|------------------|
| PRELIMINARY | | | | | | |
| First quarter 1984 to second quarter 1984 | | | | | | |
| Business | 2.8 | 8.7 | 5.7 | 1.8 | -1.8 | -1.0 |
| Nonfarm business | 3.3 | 8.0 | 4.6 | 3.6 | -1.0 | 0.3 |
| Manufacturing | 3.2 | 8.2 | 4.8 | 3.1 | -0.6 | -0.1 |
| Durable | 2.2 | 8.9 | 6.5 | 2.8 | -0.9 | 0.6 |
| Nondurable | 4.7 | 7.2 | 2.4 | 3.2 | -0.4 | -1.4 |
| Second quarter 1983 to second quarter 1984 | | | | | | |
| Business | 2.7 | 9.3 | 6.4 | 4.0 | -0.3 | 1.2 |
| Nonfarm business | 2.3 | 9.1 | 6.6 | 4.0 | -0.3 | 1.6 |
| Manufacturing | 3.9 | 12.6 | 8.4 | 4.5 | 0.2 | 0.6 |
| Durable | 4.5 | 16.2 | 11.2 | 4.5 | 0.1 | 0.0 |
| Nondurable | 2.9 | 7.5 | 4.5 | 4.0 | -0.3 | 1.1 |

Business sector

Output per hour of all persons engaged in the business sector increased at an annual rate of 2.8 percent during the second quarter of 1984, compared with a 4.0 percent increase during the first quarter (table 1). The second quarter increase reflected a 8.7 percent advance in output and an increase of 5.7 percent in hours. Output and hours both grew more moderately in the second quarter than in the first, but employment increased at a 4.8 percent seasonally adjusted annual rate in both quarters.

Hourly compensation, which includes wages, salaries, and employer contributions to employee benefit plans, increased at a 1.8 percent annual rate during the second quarter, compared with a 6.2 percent gain during the first quarter. (This measure partly reflects a decline in hourly compensation in the farm sector, which is included in the business series.) The second-quarter increase in hourly compensation in the business sector was the smallest since the first quarter of 1969, when a 1.7 percent increase was recorded.

Real hourly compensation, which is adjusted for changes in the Consumer Price Index for All Urban Consumers (CPI-U), declined at a 1.8 percent annual rate during the second quarter, compared with a 1.2 percent increase during the first quarter of 1984. This was the first decline in real hourly compensation since the third quarter of 1983.

Unit labor costs--compensation per unit of output--declined at a 1.0 percent annual rate during the second quarter, compared with a 2.1 percent increase during the first quarter.

The implicit price deflator for the business sector--which shows the effects of changes in unit labor costs and unit nonlabor payments--increased at a 2.7 percent annual rate during the second quarter, compared with a 3.7 percent gain during the first quarter.

Nonfarm business

Productivity increased at a 3.3 percent annual rate in the second quarter in the nonfarm business sector, compared with a 2.0 percent gain during the first quarter. Although productivity grew more rapidly in the second quarter, output and hours growth was more moderate than during the first quarter (table 2).

Hourly compensation increased at a 3.6 percent annual rate in the second quarter, compared with a 6.1 percent gain during the first quarter. Real hourly compensation declined 0.1 percent, compared with a 1.0 percent gain in the first quarter. Reflecting the slowing of hourly compensation and the faster productivity growth during the second quarter, unit labor costs rose only 0.3 percent compared with a 3.1 percent rise during the first quarter. The implicit price deflator for nonfarm business output increased 2.2 percent in the second quarter.

Manufacturing

Productivity rose at a 3.2 percent annual rate in manufacturing during the second quarter, as output increased 8.2 percent and hours rose 4.8 percent. The gains in productivity, output, and hours were all more moderate than in the first quarter in this sector (table 3). Hourly compensation slowed appreciably in the second quarter, showing a 3.1 percent rise. During the first quarter, an 11.0 percent increase occurred. After allowing for the increase in the CPI-U, real hourly compensation declined at a 0.6 percent annual rate in the second quarter, compared with a 5.8 percent rise during the first quarter.

Productivity advanced more rapidly in nondurable than in durable goods manufacturing in the second quarter: however, output and hours both increased more among durable goods manufacturers. The more rapid growth in nondurables productivity was reflected in the 1.4 percent decline in unit labor costs in the sector. These costs rose 0.6 percent in durables (tables A, 4, and 5).

Revised measures

As noted in the box on page 1, all of the measures in this news release reflect revised GNP series recently released by the U.S. Department of Commerce. This more complete data, along with newly computed seasonal adjustment factors and benchmark levels, resulted in changes in both annual and quarterly productivity and cost series. The new data are found in appendix tables 1 through 6.

TECHNICAL NOTES

Business sector output is equal to gross national product, less the rest-of-the-world sector, general government, output of paid employees of private households and nonprofit institutions, rental value of owner-occupied dwellings, and the statistical discrepancy in computing the national income accounts. Corresponding exclusions are also made in labor inputs. Business output has accounted for about 77 percent of gross national product in recent years.

Total manufacturing measures are computed by summing series prepared for the durable and nondurable goods sectors.

The durable sector includes the following 2-digit SIC industries: Primary metals; fabricated metal products; nonelectrical machinery; electrical machinery; transportation equipment; instruments; lumber and lumber products; furniture and fixtures; stone, clay, and glass products; and miscellaneous manufactures. The nondurable sector includes the following 2-digit SIC industries: Textile mill products, apparel products, leather and leather products, printing and publishing, chemicals and chemical products, petroleum products, rubber and plastic products, foods, and tobacco products.

Manufacturing output has accounted for about 24 percent of gross national product in recent years.

Nonfinancial corporate output is equal to gross national product, less the rest-of-the-world sector, general government, unincorporated business, output of paid employees of private households and nonprofit institutions, rental value of owner-occupied dwellings, the output of corporations engaged in banking, finance, stock and commodity trading, and credit and insurance agencies, and the statistical discrepancy in computing the national income accounts. Nonfinancial corporate output has accounted for about 59 percent of gross national product in recent years.

The productivity and associated cost measures in this news release describe the relationship between output in real terms and the labor time involved in its production. They show the changes from period to period in the amount of goods and services produced per hour. Although these measures relate output to hours of all persons engaged in a sector, they do not measure the specific contributions of labor, capital, or any other factor of production. Rather, they reflect the joint effects of many influences, including changes in technology; capital investment; level of output; utilization of capacity, energy, and materials; the organization of production; managerial skill; and the characteristics and effort of the work force.

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PRODUCTIVITY AND COSTS

Second Quarter 1984

Revised Data for Business, Nonfarm Business, and Manufacturing Sectors
and Preliminary Measures for Nonfinancial Corporations

Productivity, as measured by output per hour of all persons, increased at a 4.0 percent seasonally adjusted annual rate in the second quarter of 1984 in the business sector, according to revised measures announced today by the Bureau of Labor Statistics of the U.S. Department of Labor (table A). This increase in productivity reflected a 10.1 percent gain in output and a 5.8 percent rise in hours of all persons engaged in the sector. Productivity increased 1.7 percent in nonfinancial corporations, according to preliminary measures announced today for this sector (table B).

The annual rates of productivity increase in the second quarter in major sectors were:

- 4.0 percent in the business sector,
- 4.7 percent in the nonfarm business sector,
- 3.6 percent in manufacturing,
- 2.6 percent in durable goods manufacturing,
- 5.1 percent in nondurables goods manufacturing, and
- 1.7 percent in nonfinancial corporations.

The second quarter measures are summarized in table A and appear in detail in tables 1 through 6.

Business sector

Second-quarter productivity advanced 4.0 percent in the business sector, as output rose 10.1 percent and hours increased 5.8 percent (seasonally adjusted annual rates). This was the eighth quarter of business productivity growth, the longest period of such gains since 1966-68, when 10 quarters of growth occurred. Although the 1984 productivity advance was the same in the second quarter as in the first, output and hours grew somewhat more slowly (table 1). However, employment growth was slightly greater in the second quarter as a smaller part of the increase in hours was due to a longer average work week. This was the sixth quarter during which average weekly hours increased, the longest period of continuous growth in this measure recorded in this series, which begins with data for 1947. The average work week was 36.8 hours in the business sector during the second quarter.



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Hourly compensation, which includes wages and salaries, supplements, and all employer outlays for employee benefit plans, increased only 1.9 percent in the second quarter, the smallest quarterly gain in this series in more than 15 years. (A 1.7 percent increase occurred in the first quarter of 1969.) A decline in the hourly compensation of farm workers contributed to the small advance in the business sector as a whole. During the first quarter of 1984, hourly compensation of all persons engaged in the business sector rose 6.2 percent. Real hourly compensation, which is adjusted for changes in the Consumer Price Index for All Urban Consumers (CPI-U), declined 1.7 percent in the second quarter, compared with a 1.2 percent gain during the first quarter.

Unit labor costs--which reflect the interaction of changes in productivity and hourly compensation--declined at a 2.0 percent annual rate during the second quarter, compared with a 2.1 percent increase during the first quarter. This was the greatest decline in these costs since the second quarter of last year (when a 3.5 percent drop occurred).

The implicit price deflator for the business sector--which shows the effects of changes in unit labor costs and unit nonlabor payments--increased at a 2.7 percent annual rate in the second quarter, compared with a 3.7 percent rise during the first quarter.

Table A. Productivity and costs: Percent change at annual rate (Seasonally adjusted)

| Sector | Productivity | Output | Hours | Hourly compensation | Real hourly compensation | Unit labor costs |
|--|--------------|--------|-------|---------------------|--------------------------|------------------|
| REVISED | | | | | | |
| First quarter 1984 to second quarter 1984 | | | | | | |
| Business | 4.0 | 10.1 | 5.8 | 1.9 | -1.7 | -2.0 |
| Nonfarm business | 4.7 | 9.6 | 4.7 | 3.7 | 0.0 | -0.9 |
| Manufacturing | 3.6 | 8.5 | 4.7 | 2.9 | -0.8 | -0.7 |
| Durable | 2.6 | 9.1 | 6.3 | 2.8 | -0.9 | 0.2 |
| Nondurable | 5.1 | 7.7 | 2.4 | 2.7 | -0.9 | -2.3 |
| Second quarter 1983 to second quarter 1984 | | | | | | |
| Business | 3.1 | 9.6 | 6.4 | 4.0 | -0.3 | 1.0 |
| Nonfarm business | 2.7 | 9.4 | 6.6 | 4.0 | -0.3 | 1.3 |
| Manufacturing | 4.0 | 12.7 | 8.4 | 3.3 | -1.0 | -0.6 |
| Durable | 4.6 | 16.2 | 11.1 | 2.9 | -1.3 | -1.6 |
| Nondurable | 3.0 | 7.6 | 4.5 | 3.3 | -0.9 | 0.3 |

Nonfarm Business

Productivity increased at a 4.7 percent annual rate in the second quarter in the nonfarm business sector, compared with a 2.9 percent increase during the first quarter. Although the advance in productivity was more rapid in the second quarter than in the first, hours and output growth decelerated (table 2). This was the sixth quarter of growth in nonfarm average weekly hours, the longest period of advance recorded in this series. The second quarter of 1984 also marked the eighth quarter of nonfarm business productivity growth, the longest period of gains in this measure since 1971-73, when 9 quarters of growth occurred.

Hourly compensation in the nonfarm business sector increased at a 3.7 percent annual rate during the second quarter, compared with a 6.1 percent increase during the first quarter. Real hourly compensation showed no change from first-quarter levels. Unit labor costs declined at a 0.9 percent annual rate, the first drop in this measure in a year. (A 4.2 percent decline occurred in the second quarter of 1983.) In the first quarter, these costs rose 3.1 percent. Prices of the goods and services which make up the output of the nonfarm business sector rose at a 2.5 percent annual rate in the second quarter, down from the 2.8 percent rate of gain in the nonfarm implicit price deflator in the first quarter.

Manufacturing

In manufacturing, output per hour of all persons increased at a 3.6 percent annual rate during the second quarter of 1984, compared with a 3.7 percent gain during the first quarter. Although productivity grew nearly as much in the second quarter as the first, both output and hours showed slower gains (table 3). Hourly compensation increased at a 2.9 percent annual rate in manufacturing, compared with a 6.2 percent rise during the first quarter. After allowing for the increase in the CPI-U, real hourly compensation declined 0.8 percent in the second quarter.

Productivity growth was stronger among producers of nondurable goods than for durable goods manufacturers. The 5.1 percent increase in nondurable manufacturing productivity reflected gains of 7.7 percent in output and 2.4 percent in hours. On the other hand, the smaller durable productivity gain (2.6 percent) resulted from larger increases in output and hours--9.1 percent and 6.3 percent, respectively (tables 4 and 5). Hourly compensation gains were similar in durables and nondurables, so that the faster rise in productivity among nondurables resulted in lower unit labor costs. Among durable goods producers, these costs rose somewhat in the second quarter.

The implicit price deflator for nonfinancial corporate output rose 2.3 percent in the second quarter, compared with a 2.7 percent rise during the first 3 months of 1984.

Revised measures

The latest productivity measures for the second quarter of 1984 show more rapid gains in productivity in the business, nonfarm business, and manufacturing sectors than had been reported on July 31, based on preliminary information. As can be seen in table C, the higher rates of productivity advance in the latest results primarily reflect upward revisions in the output measures.

Table C. Preliminary and revised productivity and related measures, second quarter 1984
Percent change from previous quarter at annual rate
(Seasonally adjusted)

| Sector | Productivity | Output | Hours | Hourly compensation | Real hourly compensation | Unit labor costs |
|--------------------------|--------------|--------|-------|---------------------|--------------------------|------------------|
| Business: | | | | | | |
| Preliminary | 2.8 | 8.7 | 5.7 | 1.8 | -1.8 | -1.0 |
| Revised | 4.0 | 10.1 | 5.8 | 1.9 | -1.7 | -2.0 |
| Nonfarm business: | | | | | | |
| Preliminary | 3.3 | 8.0 | 4.6 | 3.6 | -0.1 | 0.3 |
| Revised | 4.7 | 9.6 | 4.7 | 3.7 | 0.0 | -0.9 |
| Manufacturing: | | | | | | |
| Preliminary | 3.2 | 8.2 | 4.8 | 3.1 | -0.6 | -0.1 |
| Revised | 3.6 | 8.5 | 4.7 | 2.9 | -0.8 | -0.7 |

TECHNICAL NOTES

Business sector output is equal to gross national product, less the rest-of-the-world sector, general government, output of paid employees of private households and nonprofit institutions, rental value of owner-occupied dwellings, and the statistical discrepancy in computing the national income accounts. Corresponding exclusions are also made in labor inputs. Business output has accounted for about 77 percent of gross national product in recent years.

Total manufacturing measures are computed by summing series prepared for the durable and nondurable goods sectors.

The durable sector includes the following 2-digit SIC industries: Primary metals; fabricated metal products; nonelectrical machinery; electrical machinery; transportation equipment; instruments; lumber and lumber products; furniture and fixtures; stone, clay, and glass products, and miscellaneous manufactures. The nondurable sector includes the following 2-digit SIC industries: Textile mill products, apparel products, leather and leather products, printing and publishing, chemical and chemical products, petroleum products, rubber and plastic products, foods, and tobacco products.

Manufacturing output has accounted for about 24 percent of gross national product in recent years.

Nonfinancial corporate output is equal to gross national product, less the rest-of-the-world sector, general government, unincorporated business, output of paid employees of private households and nonprofit institutions, rental value of owner-occupied dwellings, the output of corporations engaged in banking, finance, stock and commodity trading, and credit and insurance agencies, and the statistical discrepancy in computing the national income accounts. Nonfinancial corporate output has accounted for about 59 percent of gross national product in recent years.

The productivity and associated cost measures in this news release describe the relationship between output in real terms and the labor time involved in its production. They show the changes from period to period in the amount of goods and services produced per hour. Although these measures relate output to hours of all persons engaged in a sector, they do not measure the specific contributions of labor, capital, or any other factor of production. Rather, they reflect the joint effects of many influences, including changes in technology; capital investment; level of output; utilization of capacity, energy, and materials; the organization of production; managerial skill; and the characteristics and effort of the work force.

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PRODUCTIVITY AND COSTS Third Quarter 1984

Productivity, as measured by output per hour of all persons, increased 1.7 percent during the third quarter in the business sector and was unchanged in the nonfarm business sector according to preliminary measures announced today by the Bureau of Labor Statistics of the U.S. Department of Labor. In the business sector, the broadest category covered, total output increased 2.7 percent and hours of all persons engaged in the sector increased 1.0 percent. In the nonfarm business sector output and hours both rose 1.6 percent. Preliminary measures show a sizable increase in manufacturing productivity.

The annual rates of productivity change in the third quarter in major sectors were:

- 1.7 percent in the business sector,
- 0.0 percent in the nonfarm business sector,
- 8.0 percent in manufacturing,
- 7.7 percent in durable goods manufacturing and
- 8.4 percent in nondurables goods manufacturing.

The third quarter measures are summarized in table A and appear in detail in tables 1 through 6.

Business sector

Productivity advanced 1.7 percent in the third quarter in the business sector, as output increased 2.7 percent and hours rose 1.0 percent (seasonally adjusted annual rates). This was the ninth quarter of productivity growth, the longest period of such gains since 1966-68, when 10 quarters of growth occurred. The present increase in productivity was smaller than the gains recorded in the first 2 quarters (4.0 percent and 4.9 percent, respectively) and reflected slowdowns in the rates of growth of both output and hours (table 1). Employment grew 2.7 percent in the third quarter, compared with a 5.0 percent increase during the second quarter. Average weekly hours declined for the first time since the fourth quarter of 1982, ending the longest period of growth in this series.

Hourly compensation, which includes wages and salaries, supplements, and all employer expenditures for employee benefit plans, increased 4.5 percent in the third quarter, compared with a 1.9 percent gain during the second quarter. Real hourly compensation, which is adjusted for changes in the Consumer Price Index for All Urban Consumers (CPI-U), increased 0.9 percent in the third quarter, compared with a 1.8 percent decline during the second quarter.



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Table A. Productivity and costs: Preliminary third quarter 1984 measures
(Seasonally adjusted at an annual rate)

| Sector | Productivity | Output | Hours | Hourly compensation | Real hourly compensation | Unit labor costs |
|---|--------------|--------|-------|---------------------|--------------------------|------------------|
| Percent change from preceding quarter | | | | | | |
| Business | 1.7 | 2.7 | 1.0 | 4.5 | 0.9 | 2.7 |
| Nonfarm business | 0.0 | 1.6 | 1.6 | 3.7 | 0.1 | 3.7 |
| Manufacturing | 8.0 | 7.4 | -0.5 | 3.7 | 0.1 | -4.0 |
| Durable | 7.7 | 9.4 | 1.6 | 2.7 | -0.8 | -4.6 |
| Nondurable | 8.4 | 4.4 | -3.7 | 4.8 | 1.2 | -3.3 |
| Percent change from same quarter a year ago | | | | | | |
| Business | 3.0 | 8.2 | 5.1 | 4.7 | 0.5 | 1.6 |
| Nonfarm business | 2.3 | 7.8 | 5.4 | 4.4 | 0.2 | 2.0 |
| Manufacturing | 3.7 | 9.6 | 5.7 | 3.9 | -0.3 | 0.2 |
| Durable | 4.1 | 12.7 | 8.2 | 3.4 | -0.7 | -0.7 |
| Nondurable | 2.9 | 5.0 | 2.0 | 4.2 | 0.0 | 1.2 |

Unit labor costs (compensation per unit of output), which reflect changes in productivity and hourly compensation, increased at a 2.7 percent annual rate during the third quarter, compared with a 2.9 percent decline during the second quarter.

The implicit price deflator for the business sector—which reflects changes in unit labor and nonlabor payments—increased 3.1 percent in the third quarter, compared with a 2.9 percent gain during the second quarter.

Nonfarm business

Productivity was unchanged from second-quarter levels in the nonfarm business sector as output and hours both posted gains of 1.6 percent. This was the first period in which productivity failed to grow since the second quarter of 1982. As in the more comprehensive business sector, the slowdown in nonfarm productivity during the third quarter reflects a slowdown in output and hours growth (table 2). Employment growth was somewhat stronger and the length of the average workweek declined more slowly than in the overall business sector which also includes the farm sector.

Hourly compensation in nonfarm businesses increased 3.7 percent in the third quarter, the same increase as occurred in the second quarter. Unit labor costs also rose 3.7 percent in the third quarter since there was no offsetting increase in productivity. During the second quarter, unit labor costs declined 1.7 percent. The third quarter increase in unit labor costs was the largest since 1982 (when a 4.0 percent increase was recorded in the fourth quarter). Real hourly compensation increased 0.1 percent in the third quarter of 1984, compared with no change during the second quarter.

Manufacturing

In manufacturing, output per hour of all persons increased at an 8.0 percent annual rate during the third quarter, as output rose 7.4 percent and hours of all persons declined 0.5 percent (table 3). Output slowed from the more rapid increases of the past 5 quarters, and the decline in hours was the first drop since the fourth quarter of 1982 (when an 8.6 percent decline occurred).

Productivity movements in manufacturing and the more comprehensive nonfarm business sector do not always agree; since 1974, they have moved in opposite directions nearly one-third of the time. This large productivity increase in manufacturing compared with no change for nonfarm business this quarter reflects substantially different movements in both hours and output between the two sectors (table A). The output measures for the sectors are based on two different sources. Manufacturing output is based on the monthly Index of Industrial Production prepared by the Board of Governors of the Federal Reserve System. Nonfarm output as a whole is based on the National Income and Product Accounts prepared by the Bureau of Economic Analysis of the U.S. Department of Commerce. The hours used to compute nonfarm and manufacturing productivity are based on the same sources--the BLS monthly Survey of Establishments which is part of the Current Employment Survey and, for the self-employed, the BLS monthly household survey. While the quarterly increase in hours was the same in nonfarm business as in durable manufacturing, a decline in hours in nondurables was sufficient to cause a decline for the quarter for manufacturing as a whole.

Hourly compensation grew at a 3.7 percent annual rate, compared with a 2.9 percent rise during the second quarter. Unit labor costs fell 4.0 percent during the third quarter and 1.1 percent in the second. Since the third quarter of 1982, manufacturing unit labor costs have declined in 6 of the 9 quarters. Real hourly compensation increased 0.1 percent during the third quarter of 1984 compared with a 0.8 percent decline during the second quarter.

Productivity gains were weaker among durable goods manufacturers than nondurables. However, output growth in the third quarter was virtually the same as in the second quarter in durables, while output growth slowed in nondurables in the third quarter (tables 4,5). Divergent trends were apparent in hours; in durables, payroll hours of all persons engaged increased 1.6 percent, while among nondurables, hours declined 3.7 percent (seasonally adjusted annual rates). Employment continued to grow in durables, but declined in nondurables.

Nonfinancial corporations: revised second quarter measures

Productivity among nonfinancial corporations advanced at a 2.8 percent annual rate during the second quarter of 1984, according to the most recent measures announced today. This sector includes all corporations doing business in the United States with the exception of banks, finance and insurance agencies, and stock and commodity brokers. Output rose 9.8 percent and all-employee hours increased 6.8 percent (table 6). Hourly compensation increased 2.4 percent, but when adjusted for the increase in the CPI-U showed a 1.3 percent decline. Unit profit rose 23.8 percent (seasonally adjusted annual rates). These values are based on the most complete measures of output and labor input available; table B compares them with the results reported on August 23, based on preliminary information.

Table B. Preliminary and revised productivity and related measures for nonfinancial corporations, second quarter 1984
Percent change from previous quarter at annual rate
(Seasonally adjusted)

| Item | Productivity | Output | Hours | Hourly compensation | Real hourly compensation | Unit labor costs | Unit nonlabor costs | Unit profits |
|-------------|--------------|--------|-------|---------------------|--------------------------|------------------|---------------------|--------------|
| Preliminary | 1.7 | 8.5 | 6.7 | 2.3 | -1.3 | 0.6 | 2.1 | 13.6 |
| Revised | 2.8 | 9.8 | 6.8 | 2.4 | -1.3 | -0.4 | 2.0 | 23.8 |

TECHNICAL NOTES

Business sector output is equal to gross national product, less the rest-of-the-world sector, general government, output of paid employees of private households and nonprofit institutions, rental value of owner-occupied dwellings, and the statistical discrepancy in computing the national income accounts. Corresponding exclusions are also made in labor inputs. Business output has accounted for about 77 percent of gross national product in recent years.

Total manufacturing measures are computed by summing series prepared for the durable and nondurable goods sectors.

The durable sector includes the following 2-digit SIC industries: Primary metals; fabricated metal products; nonelectrical machinery; electrical machinery; transportation equipment; instruments; lumber and lumber products; furniture and fixtures; stone, clay, and glass products, and miscellaneous manufactures. The nondurable sector includes the following 2-digit SIC industries: Textile mill products, apparel products, leather and leather products, printing and publishing, chemical and chemical products, petroleum products, rubber and plastic products, foods, and tobacco products.

Manufacturing output has accounted for about 24 percent of gross national product in recent years.

Nonfinancial corporate output is equal to gross national product, less the rest-of-the-world sector, general government, unincorporated business, output of paid employees of private households and nonprofit institutions, rental value of owner-occupied dwellings, the output of corporations engaged in banking, finance, stock and commodity trading, and credit and insurance agencies, and the statistical discrepancy in computing the national income accounts. Nonfinancial corporate output has accounted for about 59 percent of gross national product in recent years.

The productivity and associated cost measures in this news release describe the relationship between output in real terms and the labor time involved in its production. They show the changes from period to period in the amount of goods and services produced per hour. Although these measures relate output to hours of all persons engaged in a sector, they do not measure the specific contributions of labor, capital, or any other factor of production. Rather, they reflect the joint effects of many influences, including changes in technology; capital investment; level of output; utilization of capacity, energy, and materials; the organization of production; managerial skill; and the characteristics and effort of the work force.

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PRODUCTIVITY AND COSTS

Third Quarter 1984

Revised Data for Business, Nonfarm Business, and Manufacturing and
Preliminary Measures for Nonfinancial Corporations

Productivity, as measured by output per hour of all persons, increased 0.9 percent during the third quarter in the business sector but declined 0.7 percent in nonfarm business, according to revised measures announced today by the Bureau of Labor Statistics of the U.S. Department of Labor. In the business sector, the broadest category covered, total output increased 2.0 percent and hours of all persons engaged in the sector increased 1.1 percent. Nonfarm business output increased 1.0 percent and hours rose 1.7 percent. Productivity increased rapidly in manufacturing.

Preliminary measures announced today show that productivity decreased 2.1 percent in nonfinancial corporations (table B). The annual rates of productivity change in the third quarter in major sectors were:

- 0.9 percent in the business sector,
- 0.7 percent in the nonfarm business sector,
- 7.8 percent in manufacturing,
- 8.4 percent in durable goods manufacturing,
- 6.8 percent in nondurables goods manufacturing, and
- 2.1 percent in nonfinancial corporations.

Third quarter measures are summarized in tables A and B, and appear in detail in tables 1 through 6.

Business sector

Productivity advanced 0.9 percent in the third quarter in the business sector, as output increased 2.0 percent and hours rose 1.1 percent (seasonally adjusted annual rates). Gains in productivity, output, and hours were all larger during the second quarter (table 1). The third-quarter increase in productivity was the smallest since the second quarter of 1982. The increase in hours reflected a 2.8 percent gain in employment coupled with a 1.7 percent reduction in the length of the average work week. During the second quarter, employment rose 5.0 percent and average weekly hours increased 0.9 percent.

Hourly compensation, which includes wages and salaries, supplements, and all employer expenditures for employee benefit plans, increased 4.5 percent in the third quarter, compared with a 1.9 percent gain during the second quarter. Real hourly compensation, which is adjusted for changes in the Consumer Price Index for All Urban Consumers (CPI-U), increased 0.9 percent in the third quarter, compared with a 1.8 percent decline during the second quarter.

Unit labor costs (compensation per unit of output), which reflect changes in productivity and hourly compensation, increased at a 3.6 percent annual rate compared with a 2.9 percent decline during the second quarter.



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Table A. Productivity and costs: Revised third quarter 1984 measures
(Seasonally adjusted annual rates)

| Sector | Productivity | Output | Hours | Hourly compensation | Real hourly compensation | Unit labor costs |
|---|--------------|--------|-------|---------------------|--------------------------|------------------|
| REVISÉD | | | | | | |
| Percent change from preceding quarter | | | | | | |
| Business | 0.9 | 2.0 | 1.1 | 4.5 | 0.9 | 3.6 |
| Nonfarm business | -0.7 | 1.0 | 1.7 | 3.8 | 0.2 | 4.5 |
| Manufacturing | 7.8 | 7.5 | -0.3 | 3.6 | 0.1 | -3.8 |
| Durable | 8.4 | 10.5 | 2.0 | 2.6 | -0.9 | -5.3 |
| Nondurable | 6.8 | 3.0 | -3.6 | 4.9 | 1.3 | -1.8 |
| Percent change from same quarter a year ago | | | | | | |
| Business | 2.8 | 8.0 | 5.1 | 4.7 | 0.5 | 1.8 |
| Nonfarm business | 2.2 | 7.7 | 5.4 | 4.4 | 0.2 | 2.2 |
| Manufacturing | 3.6 | 9.6 | 5.8 | 3.9 | -0.3 | 0.3 |
| Durable | 4.3 | 13.0 | 8.3 | 3.4 | -0.7 | -0.9 |
| Nondurable | 2.6 | 4.7 | 2.1 | 4.2 | 0.0 | 1.6 |

The implicit price deflator for the business sector—which reflects changes in unit labor costs and unit nonlabor payments—increased 3.3 percent in the third quarter, compared with a 2.9 percent gain during the second quarter.

Nonfarm business

Productivity declined at a 0.7 percent annual rate in the nonfarm business sector during the third quarter, the first decline since the second quarter of 1982. Output increased 1.0 percent and hours of all persons increased 1.7 percent. During the second quarter, productivity increased strongly, and larger gains were recorded in output and hours (table 2).

Hourly compensation increased 3.8 percent in the third quarter, nearly the same as the increase during the second quarter. However, because of the difference in the productivity change in the second and third quarters, unit labor costs rose in the third quarter after having declined during the second quarter. Real hourly compensation showed a 0.2 percent increase during the third quarter when the change in the CPI-U is taken into account. There was no change in this measure during the second quarter.

Manufacturing

Manufacturing productivity increased 7.8 percent in the third quarter, as output rose 7.5 percent and hours declined 0.3 percent. Productivity rose 8.4 percent in durables and 6.8 percent in nondurables (seasonally adjusted annual rates). The growth in output was uneven; more rapid gains occurred in durables (10.5 percent) than in nondurables (3.0 percent). All of the decline in hours occurred in nondurables; paid hours increased among durable goods producers (tables 3-5).

As BLS reported in the October release of preliminary third quarter measures, productivity movements in manufacturing and the more comprehensive nonfarm business sector do not always agree; since 1974, they have moved in opposite directions nearly one-third of the time. This large productivity increase in manufacturing compared with a decline for nonfarm business this quarter reflects substantially different movements in both hours and output between the two sectors (table A). The output measures for the sectors are based on two different sources. Manufacturing output is based on the monthly Index of Industrial Production prepared by the Board of Governors of the Federal Reserve System. Nonfarm output as a whole is based on the National Income and Product Accounts prepared by the Bureau of Economic Analysis of the U.S. Department of Commerce. The hours used to compute nonfarm and manufacturing productivity are based on the same sources—the BLS monthly Survey of Establishments which is part of the Current Employment Survey and, for the self-employed, the BLS monthly household survey. While hours increased in durable manufacturing, a decline in nondurables was sufficient to cause a drop for the quarter for manufacturing as a whole.

Hourly compensation in manufacturing increased at a 3.6 percent annual rate in the third quarter, compared with a 2.9 percent increase during the second quarter. Unit labor costs declined 3.8 percent in the third quarter, the second consecutive drop in these costs (during the second quarter, a 1.1 percent decline occurred). Real hourly compensation, which takes into account changes in the CPI-U, increased 0.1 percent in the third quarter.

Nonfinancial corporations

Productivity declined in nonfinancial corporations at a 2.1 percent annual rate during the third quarter of 1984, according to preliminary measures reported today (table B). During the second quarter, productivity advanced 2.8 percent (seasonally adjusted annual rates). Third-quarter gains in output and hours were both smaller than the increases during the first 2 quarters of the year; the increase in output was the smallest of the recovery period (table 6). This sector includes all corporations doing business in the United States with the exception of banks, stock and commodity brokers, and finance and insurance agencies. Although the third-quarter output movements were similar in nonfinancial corporations and the more comprehensive nonfarm sector (0.6 percent and 1.0 percent, respectively), hours moved up more in corporations (2.7 percent) than in nonfarm business (1.7 percent). The corporate sector omits the hours of proprietorships and unpaid family workers (as well as all hours in finance), which are part of nonfarm business hours.

Hourly compensation of employees of these corporations increased 3.3 percent in the third quarter, and unit labor costs rose 5.5 percent. During the second quarter, compensation rose more slowly and unit labor costs fell. Real hourly compensation declined for the second consecutive quarter.

Unit nonlabor payments, which include capital consumption allowances and indirect business taxes, increased 0.3 percent, and unit profits declined 11.7 percent. This was the first quarter in which profits per unit of output declined since the fourth quarter of 1982, when a 41.9 percent drop was recorded. The implicit price deflator for the nonfinancial corporate sector rose 3.6 percent in the third quarter, the largest gain of 1984.

Table B. Productivity and cost in nonfinancial corporations:
Preliminary third-quarter 1984 measures
(Seasonally adjusted annual rates)

| Sector | Productivity | Output | Hours | Hourly compensation | Real hourly compensation | Unit labor costs | Unit profits |
|---|--------------|--------|-------|---------------------|--------------------------|------------------|--------------|
| PRELIMINARY | | | | | | | |
| Percent change from preceding quarter | | | | | | | |
| Nonfinancial corporations | -2.1 | 0.6 | 2.7 | 3.3 | -0.3 | 5.5 | -11.7 |
| Percent change from same quarter a year ago | | | | | | | |
| Nonfinancial corporations | 1.0 | 7.5 | 6.4 | 3.3 | -0.8 | 2.3 | 15.7 |

Revised measures

The latest productivity measures for the third quarter of 1984 show slower gains than had been reported on October 29, based on preliminary information then available. As can be seen in the comparisons in table C, the slower rates of productivity advance in the revised measures primarily reflect downward revisions in the output movements.

Table C. Preliminary and revised productivity and related measures,
third quarter 1984
(Seasonally adjusted annual rates)

| Sector | Productivity | Output | Hours | Hourly compensation | Real hourly compensation | Unit labor costs |
|--------------------------|--------------|--------|-------|---------------------|--------------------------|------------------|
| Business: | | | | | | |
| Preliminary | 1.7 | 2.7 | 1.0 | 4.5 | 0.9 | 2.7 |
| Revised | 0.9 | 2.0 | 1.1 | 4.5 | 0.9 | 3.6 |
| Nonfarm business: | | | | | | |
| Preliminary | 0.0 | 1.6 | 1.6 | 3.7 | 0.1 | 3.7 |
| Revised | -0.7 | 1.0 | 1.7 | 3.8 | 0.2 | 4.5 |
| Manufacturing: | | | | | | |
| Preliminary | 8.0 | 7.4 | -0.5 | 3.7 | 0.1 | -4.0 |
| Revised | 7.8 | 7.5 | -0.3 | 3.6 | 0.1 | -3.8 |

TECHNICAL NOTES

Business sector output is equal to gross national product, less the rest-of-the-world sector, general government, output of paid employees of private households and nonprofit institutions, rental value of owner-occupied dwellings, and the statistical discrepancy in computing the national income accounts. Corresponding exclusions are also made in labor inputs. Business output has accounted for about 77 percent of gross national product in recent years.

Total manufacturing measures are computed by summing series prepared for the durable and nondurable goods sectors.

The durable sector includes the following 2-digit SIC industries: Primary metals; fabricated metal products; nonelectrical machinery; electrical machinery; transportation equipment; instruments; lumber and lumber products; furniture and fixtures; stone, clay, and glass products; and miscellaneous manufactures. The nondurable sector includes the following 2-digit SIC industries: Textile mill products, apparel products, leather and leather products, printing and publishing, chemical and chemical products, petroleum products, rubber and plastic products, foods, and tobacco products.

Manufacturing output has accounted for about 24 percent of gross national product in recent years.

Nonfinancial corporate output is equal to gross national product, less the rest-of-the-world sector, general government, unincorporated business, output of paid employees of private households and nonprofit institutions, rental value of owner-occupied dwellings, the output of corporations engaged in banking, finance, stock and commodity trading, and credit and insurance agencies, and the statistical discrepancy in computing the national income accounts. Nonfinancial corporate output has accounted for about 59 percent of gross national product in recent years.

The productivity and associated cost measures in this news release describe the relationship between output in real terms and the labor time involved in its production. They show the changes from period to period in the amount of goods and services produced per hour. Although these measures relate output to hours of all persons engaged in a sector, they do not measure the specific contributions of labor, capital, or any other factor of production. Rather, they reflect the joint effects of many influences, including changes in technology; capital investment; level of output; utilization of capacity, energy, and materials; the organization of production; managerial skill; and the characteristics and effort of the work force.

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PRODUCTIVITY AND COSTS
Fourth Quarter
and Annual Averages, 1984

The Bureau of Labor Statistics of the U.S. Department of Labor today reported preliminary productivity data--as measured by output per hour of all persons--for the fourth quarter of 1984 and the year as a whole. The increase from the third to the fourth quarter in the business sector including farms was at a 2.6 percent annual rate; without farms it was less at 1.7 percent. Manufacturing productivity showed a slight decline of 0.6 percent in the same period.

The business productivity gain in 1984 over 1983 of 3.6 percent was the largest since 1971 and the manufacturing increase at 4.7 percent was the largest since 1973.

The large increase in business productivity reflected the strongest gains in output and hours since the 1950's, as well as a substantial productivity advance in agriculture in 1984. The increase for business excluding farms was smaller in 1984 than in 1983.

The seasonally adjusted annual rates of productivity change in the fourth quarter for major sectors of the economy are:

2.6 percent in the business sector,
1.7 percent in the nonfarm business sector,
-0.6 percent in manufacturing,
-1.6 percent in durable goods manufacturing, and
0.9 percent in nondurables goods manufacturing.

Fourth quarter measures are summarized in tables A and appear in detail in tables 1 through 6.

CHANGES FROM THE THIRD TO THE FOURTH QUARTER OF 1984

Business

The 2.6 percent productivity advance in the fourth quarter of 1984 in the business sector reflected a 4.3 percent gain in output and a 1.6 percent rise in hours (seasonally adjusted annual rates). During the third quarter, productivity advanced only 0.6 percent in this sector. Business output rebounded strongly from the slower rate of gain during the third quarter, and a modest increase occurred in the rate of growth of hours of all persons (table 1).



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Table A. Productivity and costs: Preliminary fourth quarter 1984 measures
(Seasonally adjusted annual rates)

| Sector | Productivity | Output | Hours | Hourly compensation | Real hourly compensation | Unit labor costs |
|---|--------------|--------|-------|---------------------|--------------------------|------------------|
| Percent change from preceding quarter | | | | | | |
| Business | 2.6 | 4.3 | 1.6 | 4.1 | 0.3 | 1.5 |
| Nonfarm business | 1.7 | 3.9 | 2.2 | 3.5 | -0.3 | 1.8 |
| Manufacturing | -0.6 | 0.2 | 0.8 | 4.6 | 0.7 | 5.3 |
| Durable | -1.6 | 0.7 | 2.3 | 3.8 | -0.1 | 5.4 |
| Nondurable | 0.9 | -0.6 | -1.5 | 5.8 | 1.8 | 4.8 |
| Percent change from same quarter a year ago | | | | | | |
| Business | 3.0 | 7.1 | 3.9 | 4.1 | 0.1 | 1.1 |
| Nonfarm business | 2.2 | 6.3 | 4.0 | 4.2 | 0.2 | 1.9 |
| Manufacturing | 3.6 | 7.2 | 3.4 | 4.4 | 0.3 | 0.7 |
| Durable | 4.1 | 9.6 | 5.3 | 3.8 | -0.2 | -0.2 |
| Nondurable | 2.9 | 3.6 | 0.7 | 4.8 | 0.8 | 1.9 |

Hourly compensation, which includes wages, salaries, supplements, and employer contributions to employee-benefit plans, increased at a 4.1 percent annual rate, slightly less than the 4.4 percent gain during the third period. Real hourly compensation, which takes into account changes in the Consumer Price Index for All Urban Consumers (CPI-U), increased at a annual rate of 0.3 percent in the fourth quarter, compared with a 0.8 percent increase during the third quarter. Unit labor costs, which reflect the interaction of changes in hourly compensation and productivity, increased 1.5 percent in the fourth quarter.

The implicit price deflator, which measures price change for the goods and services comprising business output, rose at a 1.8 percent annual rate, compared with a 3.6 percent increase during the third quarter.

Nonfarm business

Productivity increased in the fourth quarter in nonfarm businesses, after having declined during the third quarter. The 1.7 percent increase in the October-December quarter reflected a 3.9 percent increase in output and a 2.2 percent rise in hours of all persons engaged in the sector. In the third quarter, productivity declined 1.1 percent and output increased only 0.7 percent

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(table 2). Hourly compensation rose 3.5 percent in the fourth quarter, about the same rate of increase as during the second and third quarters. Unit labor costs increased only 1.8 percent in the fourth quarter, compared with a 4.7 percent rise during the third quarter. The difference in the rate of increase in unit labor costs in the third and fourth quarters, when hourly compensation movements were nearly identical, reflects the cost offsetting impact of productivity growth. Real hourly compensation declined 0.3 percent in the fourth quarter, compared with no change in the second and third quarters. The implicit price deflator for nonfarm business output posted a 2.5 percent increase during the fourth quarter. These prices went up 4.2 percent during the third quarter (seasonally adjusted annual rates).

Manufacturing

Productivity declined 0.6 percent in the fourth quarter in manufacturing because hours increased faster than output. This was the first quarterly decline since the fourth quarter of 1983 when the growth of output was also less than that of hours (table 3). During the third quarter of 1984, productivity grew 7.4 percent. Hourly compensation rose at a 4.6 percent annual rate in the fourth quarter, up from the 3.7 percent increase during the third period. After allowing for the change in the CPI-U, real hourly compensation rose 0.7 percent in the fourth quarter, compared with a 0.2 percent rise in the third.

The fourth-quarter decline in manufacturing productivity was confined to durable goods producers which fell 1.6 percent; in nondurables, productivity advanced 0.9 percent (tables 4 and 5).

Table B. Productivity and costs: Preliminary 1984 annual measures

| Sector | Productivity | Output | Hours | Hourly compensation | Real hourly compensation | Unit labor costs |
|------------------|------------------------------------|--------|-------|---------------------|--------------------------|------------------|
| | Annual percent change, 1983 - 1984 | | | | | |
| Business | 3.6 | 8.8 | 5.0 | 4.7 | 0.4 | 1.1 |
| Nonfarm business | 3.1 | 8.5 | 5.2 | 4.6 | 0.3 | 1.5 |
| Manufacturing | 4.7 | 11.7 | 6.7 | 3.6 | -0.6 | -1.0 |
| Durable | 5.4 | 15.0 | 9.1 | 3.1 | -1.1 | -2.1 |
| Nondurable | 3.6 | 7.0 | 3.3 | 3.8 | -0.4 | 0.3 |

SUMMARY OF ANNUAL PRODUCTIVITY AND COST MOVEMENTS: 1984Business

Business productivity in 1984 was 3.6 percent higher than it was in 1983 (table B). This was the largest annual advance since 1971, when an identical increase occurred. However, the underlying conditions were quite different; in 1984, output increased at the fastest rate in more than 30 years (up 8.8 percent), and the gain in hours (5.0 percent) was the largest recorded in the series (which begins with data for 1947). In 1971, on the other hand, output grew modestly (3.0 percent), and hours declined (-0.5 percent). The rise in hours in 1984 reflected a 4.1 percent increase in employment combined with a 0.9 percent rise in average weekly hours, the largest increase in the length of the average work week in the series, which also begins with data for 1947.

Business employment averaged 83.9 million in 1984, up 3.3 million from 1983. Compensation per hour advanced 4.7 percent in 1984, somewhat faster than the rise during 1983. The improved productivity performance from 1983 to 1984 partly offset the increase in hourly compensation so that unit labor costs in 1984 rose 1.1 percent, compared with a 1.6 percent gain in 1983. Real hourly compensation was 0.4 percent higher in 1984 than in 1983, and the implicit price deflator rose 3.2 percent.

Nonfarm business

Productivity advanced 3.1 percent in nonfarm business in 1984 as output grew 8.5 percent and hours rose 5.2 percent. The increase in nonfarm output was the largest since 1950, and the gain in hours the greatest in the series. In 1983, productivity advanced 3.5 percent (table 2). Hourly compensation showed the smallest increase since 1965; the 4.6 percent advance in 1984 continued the trend toward smaller annual increases which began in 1981. Real hourly compensation increased 0.3 percent in 1984, compared with a 1.6 percent increase one year earlier. Unit labor costs moved up 1.5 percent in 1984, compared with a 1.4 percent gain in 1983. The implicit price deflator for nonfarm business output increased 3.1 percent in 1984. Nonfarm business employment, at 80.9 million, increased 3.3 million (or 4.3 percent) over 1983 levels. Average weekly hours matched the record growth rate of 1955 (0.9 percent).

Manufacturing

Output per hour of all persons increased 4.7 percent in manufacturing in 1984, the largest gain in more than 10 years. An 11.7 percent increase in output in 1984 (which equalled the gain of 1959) was more than double the increase of 1983; hours increased faster than in any year since 1951. The 6.7 percent increase in hours reflected a 5.7 percent gain in employment, and a 1.0 percent increase in average weekly hours. The manufacturing sector provided 20 million jobs in 1984, 1.1 million more than in 1983.

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Hourly compensation of all persons engaged in manufacturing increased 3.6 percent, but declined 0.6 percent when the rise in the CPI-U is taken into account (table 3). The improved productivity gain in 1984 contributed to a decline in unit labor costs of 1.0 percent. Productivity, output, and hours all advanced more rapidly in durables than in nondurables in 1984 (tables 5 and 6).

REVISED THIRD QUARTER 1984 MEASURES

Nonfinancial corporations

The Bureau of Labor Statistics also reported revised measures for the third quarter of 1984 for nonfinancial corporations. As can be seen in table C, productivity declined more during the third quarter than had been reported on November 28, 1984, based on preliminary measures. Changes in productivity and related measures in this sector for 1983 and the first 3 quarters of 1984 are shown in table 6.

Table C. Preliminary and revised productivity and related measures for nonfinancial corporations, third quarter 1984
Percent change from previous quarter at annual rate
(Seasonally adjusted)

| Item | Productivity | Output | Hours | Hourly compensation | Real hourly compensation | Unit labor costs | Unit nonlabor costs | Unit profits |
|-------------|--------------|--------|-------|---------------------|--------------------------|------------------|---------------------|--------------|
| Preliminary | -2.1 | 0.6 | 2.7 | 3.3 | -0.3 | 5.5 | 6.2 | -11.7 |
| Revised | -2.5 | 0.2 | 2.8 | 3.2 | -0.3 | 5.9 | 8.0 | -14.5 |

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TECHNICAL NOTES

Business sector output is equal to gross national product, less the rest-of-the-world sector, general government, output of paid employees of private households and nonprofit institutions, rental value of owner-occupied dwellings, and the statistical discrepancy in computing the national income accounts. Corresponding exclusions are also made in labor inputs. Business output has accounted for about 77 percent of gross national product in recent years.

Total manufacturing measures are computed by summing series prepared for the durable and nondurable goods sectors.

The durable sector includes the following 2-digit SIC industries: Primary metals; fabricated metal products; nonelectrical machinery; electrical machinery; transportation equipment; instruments; lumber and lumber products; furniture and fixtures; stone, clay, and glass products; and miscellaneous manufactures. The nondurable sector includes the following 2-digit SIC industries: Textile mill products, apparel products, leather and leather products, printing and publishing, chemical and chemical products, petroleum products, rubber and plastic products, foods, and tobacco products.

Manufacturing output has accounted for about 24 percent of gross national product in recent years.

Nonfinancial corporate output is equal to gross national product, less the rest-of-the-world sector, general government, unincorporated business, output of paid employees of private households and nonprofit institutions, rental value of owner-occupied dwellings, the output of corporations engaged in banking, finance, stock and commodity trading, and credit and insurance agencies, and the statistical discrepancy in computing the national income accounts. Nonfinancial corporate output has accounted for about 59 percent of gross national product in recent years.

The productivity and associated cost measures in this news release describe the relationship between output in real terms and the labor time involved in its production. They show the changes from period to period in the amount of goods and services produced per hour. Although these measures relate output to hours of all persons engaged in a sector, they do not measure the specific contributions of labor, capital, or any other factor of production. Rather, they reflect the joint effects of many influences, including changes in technology; capital investment; level of output; utilization of capacity, energy, and materials; the organization of production; managerial skill; and the characteristics and effort of the work force.