NEWS | U. S. DEPARTMENT OF LABOR
BUREAU OF LABOR STATISTICS

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USDL-74-265
FOR RELEASE: 11:00 A.M.
Thursday, May 23, 1974

PRODUCTIVITY AND COSTS IN NONFINANCIAL CORPORATIONS, FIRST QUARTER 1974
(and Revised Figures for the Total Private Economy, First Quarter 1974)

Productivity in nonfinancial corporations fell 6.2 percent at a seasonally adjusted annual rate in the first quarter of 1974, following a 3.3 percent decline in the preceding quarter, the Bureau of Labor Statistics of the U.S. Department of Labor announced today. The decrease in productivity (or output per man-hour) was the largest reported since this series began in 1958. The decline reflected decreased in both output -- 8.7 percent -- and man-hours -- 2.7 percent -- at annual rate.

The revised productivity measures for the total private and nonfarm sectors showed declines of 6.4 percent and 4.5 percent, respectively, from the preceding quarter at annual rates. These downward revisions in the output per man-hour measures -- earlier reported as declines of 5.5 percent and 3.5 percent, respectively -- reflected downward revisions in the output measure combined with smaller downward revisions of the man-hour measure. Revised figures for the total private, nonfarm, and manufacturing sectors are summarized in table A; details are in tables 1-3.

Table A. Percent Change at Annual Rates in Productivity and Costs
(Seasonally Adjusted)

	4th Quarter 1973 to 1st Quarter 1974	1st Quarter 1973 to 1st Quarter 1974
Nonfinancial Corporations (Preliminary)		
Output per man-hour	-6.2	-1.1
Compensation per man-hour	6.7	7.0
Unit labor costs	13.8	8.2
Real compensation per man-hour	-4.3	-2.5
Output	-8.7	0.5
Man-hours	-2.7	1.6
Total Private Economy (Revised)		
Output per man-hour	-6.4	-2.1
Compensation per man-hour	4.8	6.6
Unit labor costs	12.0	8.8
Real compensation per man-hour	-6.0	-2.9
Output	-7.1	0.0
Man-hours	-0.7	2.1
Nonfarm Sector (Revised)		
Output per man-hour	-4.5	-1.4
Compensation per man-hour	6.8	7.1
Unit labor costs	11.8	8.6
Real compensation per man-hour	-4.2	-2.5
Output	-6.7	0.3
Man-hours	-2.4	1.7
Manufacturing (Revised)		
Output per man-hour	-1.5	0.9
Compensation per man-hour	5.1	7.0
Unit labor costs	6.6	6.0
Real compensation per man-hour	-5.8	-2.6
Output	-6.5	1.7
Man-hours	-5.1	0.8

The sharp output decline for nonfinancial corporations -- which include all corporations doing business in the U.S. except banks, credit agencies, stock and commodity brokers and insurance companies -- during the quarter was the largest quarter-to-quarter decrease since the fourth quarter of 1970. Also, the man-hours decline of 2.7 percent in the first quarter contrasted with the 3.9 percent increase which occurred one quarter earlier. This decrease reflected both a decline in employment (0.9 percent) and a decline in average weekly hours (1.8 percent).

From the first quarter of 1973 to the first quarter of 1974, corporate output per man-hour fell 1.1 percent, less than the 2.1 percent in the total private sector and the 1.4 percent in the nonfarm sector. In manufacturing, output per man-hour increased 0.9 percent over the same four-quarter period.

Compensation per man-hour (which includes both wages and supplemental payments) in the nonfinancial corporate sector rose at an annual rate of 6.7 percent in the first quarter, compared to a 6.0 percent increase in the preceding quarter. Real compensation per man-hour (compensation per man-hour adjusted for changes in the Consumer Price Index) decreased 4.3 percent in the first quarter, marking the fourth consecutive quarter of decline in this measure. As a result of these declines, real compensation per man-hour in the first quarter stood at its lowest level in 2 years.

Unit labor costs, which reflect both changes in compensation per man-hour and productivity, increased at an annual rate of 13.8 percent in the first quarter, compared with a 9.7 percent rise one quarter earlier. The increase in unit labor costs was also the largest during the measurement period.

Unit nonlabor costs, which include depreciation, net interest, and indirect business taxes, increased 15.5 percent in the first quarter of 1974, compared with an 8.4 percent increase the quarter before. This was the largest increase in this measure since the fourth quarter of 1970. Total unit costs (labor and nonlabor costs combined) increased 14.2 percent, compared with a 9.4 percent increase in the fourth quarter of 1973. The first-quarter increase was the largest increase in this measure reported since the series began.

Unit profits declined at an annual rate of 25.0 percent in the first quarter (at an annual rate), exceeding the 15.6 percent decline of the previous period. The decline in profits was the largest since the fourth quarter of 1970.

The implicit price deflator, which reflects changes in unit labor costs, unit nonlabor costs, and unit profits in nonfinancial corporations, increased at an annual rate of 9.2 percent in the first quarter, the largest increase reported since 1958.

Table B summarizes price, cost, and profit developments since 1968. This time span includes the economic slowdown of 1969-70 and the subsequent recovery.

Table B. Indexes of Prices, Costs and Profits in the Nonfinancial Corporate Sector (1967 = 100)

	1968	1969	1970	1971	1972	1973 I	1973 II	1973 III	1973 IV	1974 I
Implicit Price Deflator	102.5	105.3	110.0	113.4	116.0	118.2	119.6	120.7	122.6	125.3
Total Unit Cost	103.0	108.5	116.8	119.3	121.6	123.0	124.4	125.4	128.2	132.5
Unit Labor Cost.	102.8	108.1	114.9	116.7	119.9	122.0	123.7	124.9	127.8	132.0
Unit Nonlabor Cost	103.9	109.8	122.9	127.2	126.7	125.9	126.5	126.7	129.3	134.0
Unit Profits ...	99.7	86.9	71.3	80.2	84.8	91.4	92.7	94.8	90.9	84.6

Table 1. Total Private Economy: Output per Man-hour
Hourly Compensation, Unit Cost, and Prices, Seasonally Adjusted

Year and Quarter	Output per Man-hour	Output	Man-hours	Compensation per Man-hour (1)	Real Compensation per Man-hour (2)	Unit Labor Costs	Unit Non-Labor Payments (3)	Implicit Price Deflator (4)
				Indexes 1967 = 100				
1973								
I	116.4	124.2	106.7	149.6	116.2	128.5	118.9	124.8
II	116.1	125.0	107.7	151.9	115.6	130.9	121.1	127.1
III	116.2	126.1	108.6	154.6	115.1	133.1	123.4	129.3
IV	115.9	126.6	109.2	157.7	114.6	136.0	125.9	132.0
Annual Avg.	116.2	125.5	108.0	153.5	115.4	132.2	122.3	128.3
1974								
I	114.0r	124.3r	109.0r	159.5r	112.8r	139.9r	129.4r	135.8r
				Percent Change Over Previous Quarter at Annual Rate (5)				
1973								
I	5.8	9.3	3.3	11.3	5.2	5.2	6.6	5.7
II	-1.2	2.6	3.8	6.3	-2.3	7.6	7.4	7.5
III	0.4	3.6	3.2	7.3	-1.7	6.9	7.9	7.3
IV	-0.8	1.5	2.3	8.1	-1.6	8.9	8.2	8.6
Annual Avg.	3.0	6.2	3.2	7.8	1.5	4.7	6.6	5.4
1974								
I	-6.4r	-7.1r	-0.7r	4.8r	-6.0r	12.0r	11.7r	11.9r
				Percent Change Over Previous Year (6)				
1973								
I	5.2	8.5	3.1	7.3	3.2	2.1	5.6	3.4
II	3.2	6.5	3.2	7.4	1.9	4.1	6.1	4.9
III	2.5	5.9	3.3	8.0	1.1	5.4	7.0	6.0
IV	1.0	4.2	3.2	8.2	-0.2	7.2	7.5	7.3
Annual Avg.	3.0	6.2	3.2	7.8	1.5	4.7	6.6	5.4
1974								
I	-2.1r	0.0r	2.1r	6.6r	-2.9r	8.8r	8.8r	8.8r

See footnotes following table 4.
r = revised
p = preliminary

SOURCE: Bureau of Labor Statistics
May 23, 1974

Table 2. Private Nonfarm Economy: Output per Man-hour
Hourly Compensation, Unit Cost, and Prices, Seasonally Adjusted

Year and Quarter	Output per Man-hour	Output	Man-hours	Compensation per Man-hour (1)	Real Compensation per Man-hour (2)	Unit Labor Costs	Unit Non-Labor Payments (3)	Implicit Price Deflator (4)
				Indexes 1967 = 100				
1973								
I	115.6	125.1	108.2	147.9	114.9	127.9	116.4	123.6
II	115.3	126.3	109.5	149.8	113.9	129.8	118.0	125.4
III	115.9	127.6	110.2	152.7	113.6	131.8	118.6	126.8
IV	115.3	127.6	110.7	155.8	113.2	135.1	119.6	129.2
Annual Avg.	115.6	126.6	109.6	151.6	113.9	131.2	118.2	126.3
1974								
I	114.0r	125.4r	110.0r	158.4r	112.0r	138.9r	122.7r	132.8r
				Percent Change Over Previous Quarter at Annual Rate (5)				
1973								
I	5.0	9.2	4.0	10.7	4.6	5.4	2.4	4.3
II	-0.8	3.9	4.8	5.3	-3.3	6.2	5.4	5.9
III	1.8	4.4	2.6	8.0	-1.1	6.1	2.2	4.7
IV	-1.9	-0.1	1.9	8.4	-1.3	10.5	3.4	7.9
Annual Avg.	3.1	6.6	3.4	7.6	1.3	4.4	3.6	4.1
1974								
I	-4.5r	-6.7r	-2.4r	6.8r	-4.2r	11.8r	10.7r	11.4r
				Percent Change Over Previous Year (6)				
1973								
I	5.3	8.9	3.4	7.3	3.2	1.9	3.5	2.5
II	3.6	7.1	3.4	7.3	1.8	3.6	3.9	3.7
III	2.6	6.4	3.7	7.7	0.8	4.9	3.6	4.4
IV	1.0	4.3	3.3	8.1	-0.3	7.0	3.3	5.7
Annual Avg.	3.1	6.6	3.4	7.6	1.3	4.4	3.6	4.1
1974								
I	-1.4r	0.3r	1.7r	7.1r	-2.5r	8.6r	5.3r	7.4r

See footnotes following table 4.
r = revised
p = preliminary

SOURCE: Bureau of Labor Statistics
May 23, 1974

Table 3. Manufacturing Sector: Output per Man-hour, Hourly Compensation, Unit Labor Costs, Seasonally Adjusted

Year and Quarter	Output per man-hour	Output (7)	Man-hours	Compensation per man-hour (1)	Real Compensation per man-hour (2)	Unit Labor Cost
			Indexes 1967 = 100			
1973						
I	126.1	127.5	101.1	145.6	113.1	115.4
II	127.3	129.9	102.0	148.5	112.9	116.6
III	128.9	131.5	102.0	151.8	113.0	117.8
IV	127.8	131.9	103.2	153.8	111.8	120.4
Annual Avg.	127.6r	130.2	102.1	150.0r	112.7	117.6
1974						
I	127.3r	129.7r	101.9r	155.7r	110.1r	122.3r
		Percent Change Over Previous Quarter at Annual Rate (5)				
1973						
I	3.9	10.3	6.2	10.8	4.7	6.6
II	3.8	7.7	3.8	8.2	-0.7	4.2
III	5.0	5.0	-0.0	9.3	0.2	4.1
IV	-3.4r	1.2	4.8r	5.3r	-4.1	9.0
Annual Avg.	4.7	9.7	4.8	7.9	1.6	3.1
1974						
I	-1.5r	-6.5r	-5.1r	5.1r	-5.8r	6.6r
		Percent Change Over Previous Year (5)				
1973						
I	6.4	12.8	6.1	6.7	2.6	0.3
II	5.5	10.9	5.2	7.5	2.0	1.9
III	4.6	9.3	4.5	8.8	1.8	4.0
IV	2.3	6.0	3.7r	8.4	-0.0	6.0
Annual Avg.	4.7	9.7	4.8	7.9	1.6	3.1
1974						
I	0.9r	1.7r	0.8r	7.0r	-2.6r	6.0r

See footnotes following table 4.

p = preliminary

r = revised

SOURCE: Bureau of Labor Statistics
May 23, 1974

Table 4. Nonfinancial Corporations: Output per Man-hour, Hourly Compensation
Unit Labor Costs, Unit Profits and Prices, Seasonally Adjusted

Year and Quarter	Output per Man-hour	Output	Man-hours	Compensation per man-hour (1)	Real Compensation per man-hour (2)	Unit Labor Cost	Unit Nonlabor Costs (8)	Total Unit Cost (9)	Unit Profits (10)	Implicit Price Deflator
				Indexes 1967 = 100						
1973										
I	121.4	129.0	106.2	148.2	115.1	122.0	125.9	123.0	91.4	118.2
II	121.7	130.6	107.3	150.5	114.5	123.7	126.5	124.4	92.7	119.6
III	123.1	132.5	107.7	153.8	114.4	124.9	126.7	125.4	94.8	120.7
IV	122.1	132.7	108.7	156.1	113.4	127.8	129.3	128.2	90.9	122.6
Annual Avg.	122.0	131.2	107.5	152.1	114.2	124.6	127.2	125.2	92.5	120.3
1974										
I	120.1p	129.7p	108.0p	158.6p	112.2p	132.0p	134.0p	132.5p	84.6p	125.3p
				Percent Change Over Previous Quarter at Annual Rate (5)						
1973										
I	7.3	11.6	4.0	12.1	5.9	4.4	-2.0	2.8	11.6	3.8
II	1.0	5.0	4.0	6.6	-2.1	5.5	1.7	4.6	5.5	4.7
III	4.6	6.1	1.5	9.0	-0.2	4.2	0.6	3.3	9.4	4.0
IV	-3.3	0.5	3.9	6.0	-3.4	9.7	8.4	9.4	-15.6	6.1
Annual Avg.	3.5	7.7	4.0	7.6	1.3	3.9	0.4	3.0	9.0	3.7
1974										
I	-6.2p	-8.7p	-2.7p	6.7p	-4.3p	13.8p	15.5p	14.2p	-25.0p	9.2p
				Percent Change Over Previous Year (6)						
1973										
I	4.2	8.9	4.5	6.7	2.6	2.5	-0.3	1.8	10.2	2.7
II	3.8	8.0	4.0	7.3	1.8	3.4	-0.6	2.4	12.3	3.4
III	4.0	8.2	4.0	8.1	1.2	3.9	0.2	2.9	11.6	3.9
IV	2.3	5.7	3.3	8.4	-0.0	5.9	2.1	5.0	2.1	4.6
Annual Avg.	3.5	7.7	4.0	7.6	1.3	3.9	0.4	3.0	9.0	3.7
1974										
I	-1.1p	0.5p	1.6p	7.0p	-2.5p	8.2p	6.4p	7.8p	-7.5p	6.0p

See footnotes at end of table 4.
r = revised
p = preliminary

SOURCE: Bureau of Labor Statistics
May 23, 1974

FOOTNOTES, TABLES 1 TO 4

Source: Output data from the Bureau of Economic Analysis, U.S. Department of Commerce and the Federal Reserve Board. Compensation and Man-hours data from the Bureau of Labor Statistics, U.S. Department of Labor and the Bureau of Economic Analysis.

(1) Wages and salaries of employees plus employers' contributions for social insurance and private benefit plans. Except for nonfinancial corporations, where there are no self-employed, data also includes an estimate of wages, salaries and supplemental payments for the self-employed.

(2) Compensation per man-hour adjusted for changes in the Consumer Price Index.

(3) Nonlabor payments include profits, depreciation, interest, rental income and indirect taxes.

(4) Current dollar gross product divided by constant dollar gross product.

(5) Percent change compounded at annual rate from original data rather than index numbers.

(6) Current quarter divided by comparable quarter a year ago.

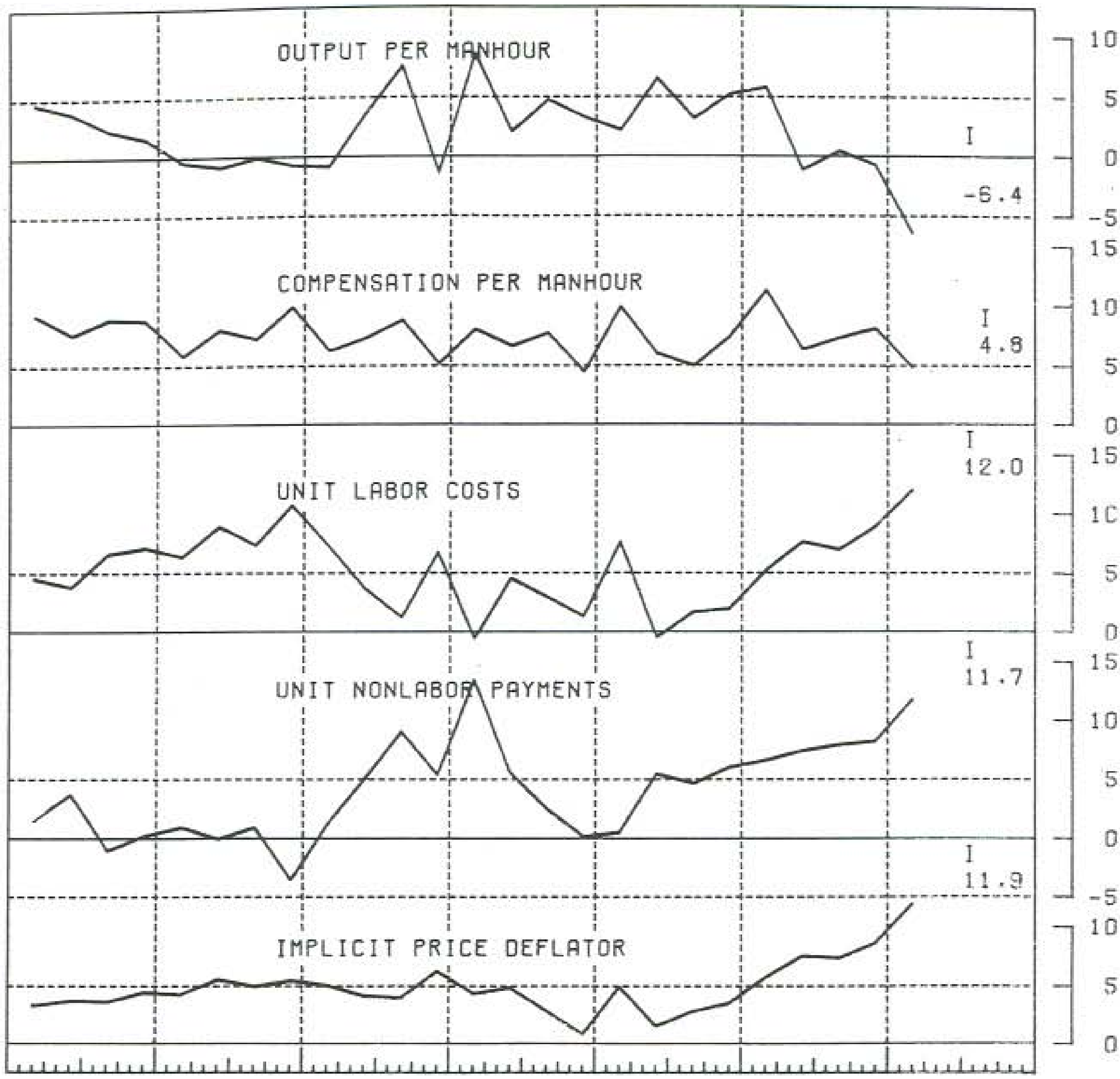
(7) Quarterly measures adjusted to annual estimates of output (gross product originating) from the Bureau of Economic Analysis, U.S. Department of Commerce.

(8) Unit nonlabor costs include depreciation, interest and indirect taxes.

(9) Total unit costs is the sum of labor and non-labor costs.

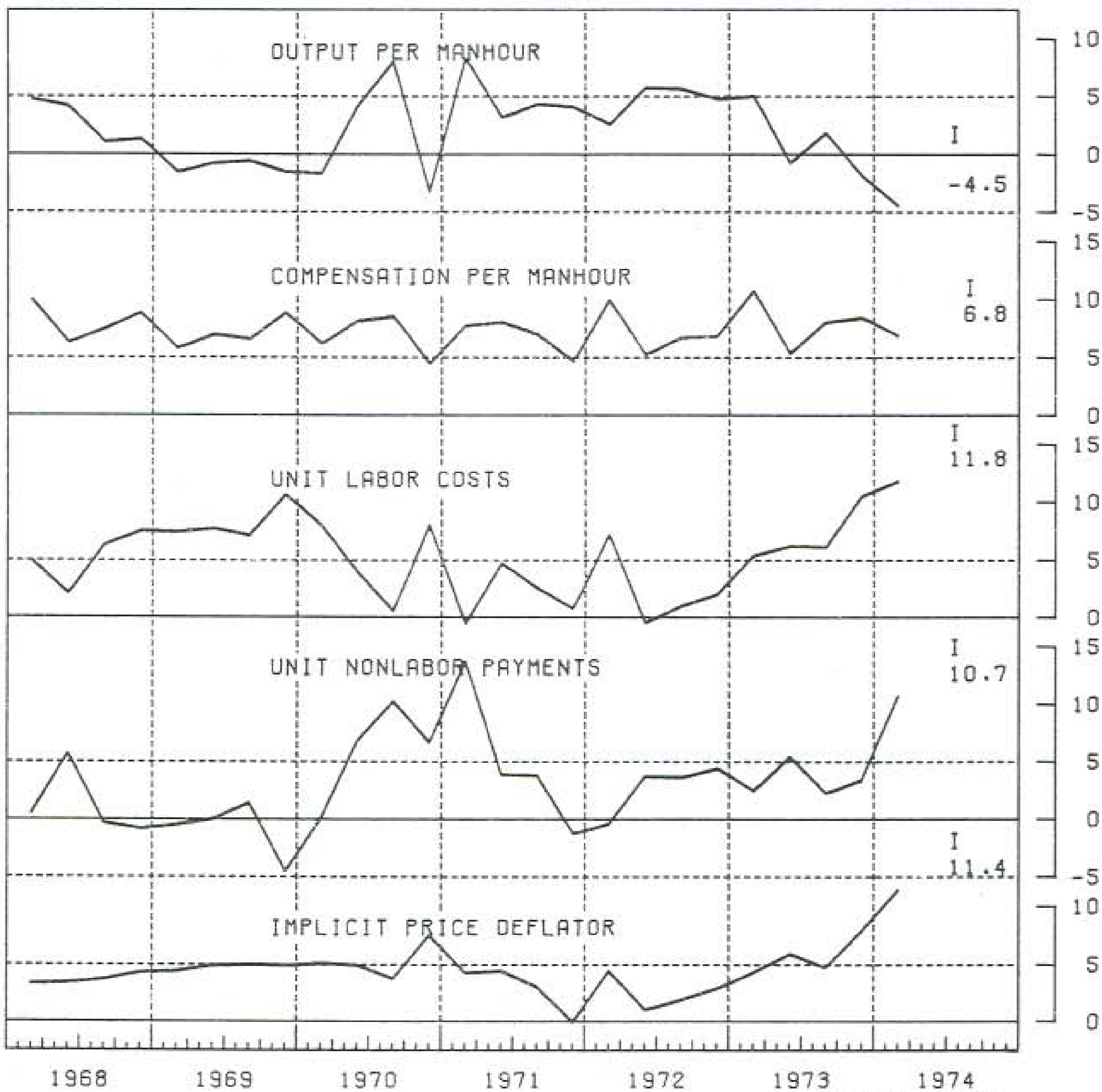
(10) Unit profits include corporate profits and inventory valuation adjustment.

CHART 1. PRODUCTIVITY, HOURLY COMPENSATION, UNIT COSTS AND PRICES TOTAL PRIVATE ECONOMY (PERCENT CHANGE FROM PRECEDING QUARTER AT ANNUAL RATE)



MAY 23, 1974

CHART 2. PRODUCTIVITY, HOURLY
COMPENSATION, UNIT COSTS AND PRICES
PRIVATE NONFARM SECTOR
(PERCENT CHANGE FROM PRECEDING
QUARTER AT ANNUAL RATE)



MAY 23, 1974

CHART 3. PRODUCTIVITY, HOURLY COMPENSATION, UNIT COSTS AND PRICES
NONFINANCIAL CORPORATIONS
(PERCENT CHANGE FROM SAME QUARTER A YEAR AGO)

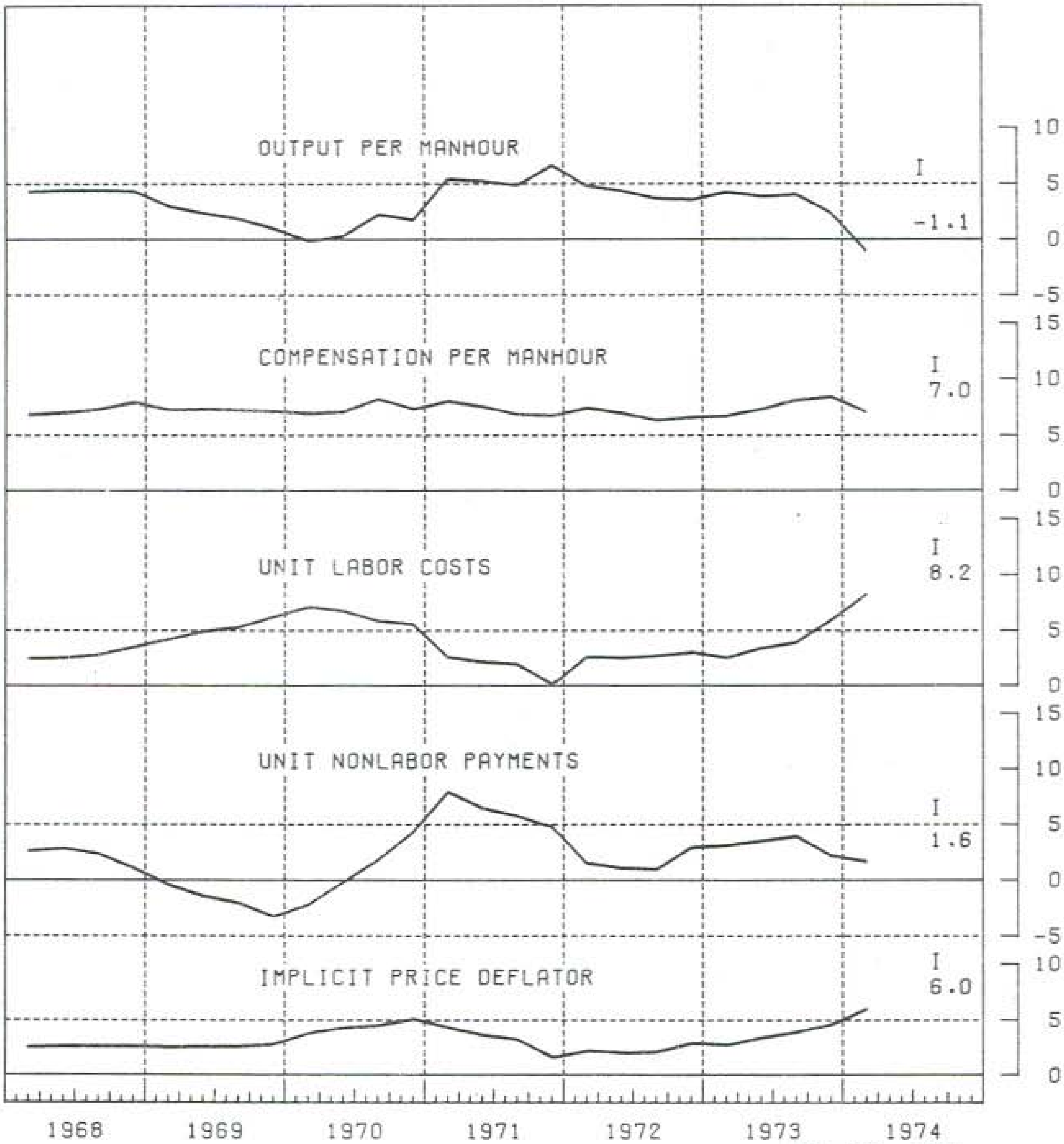


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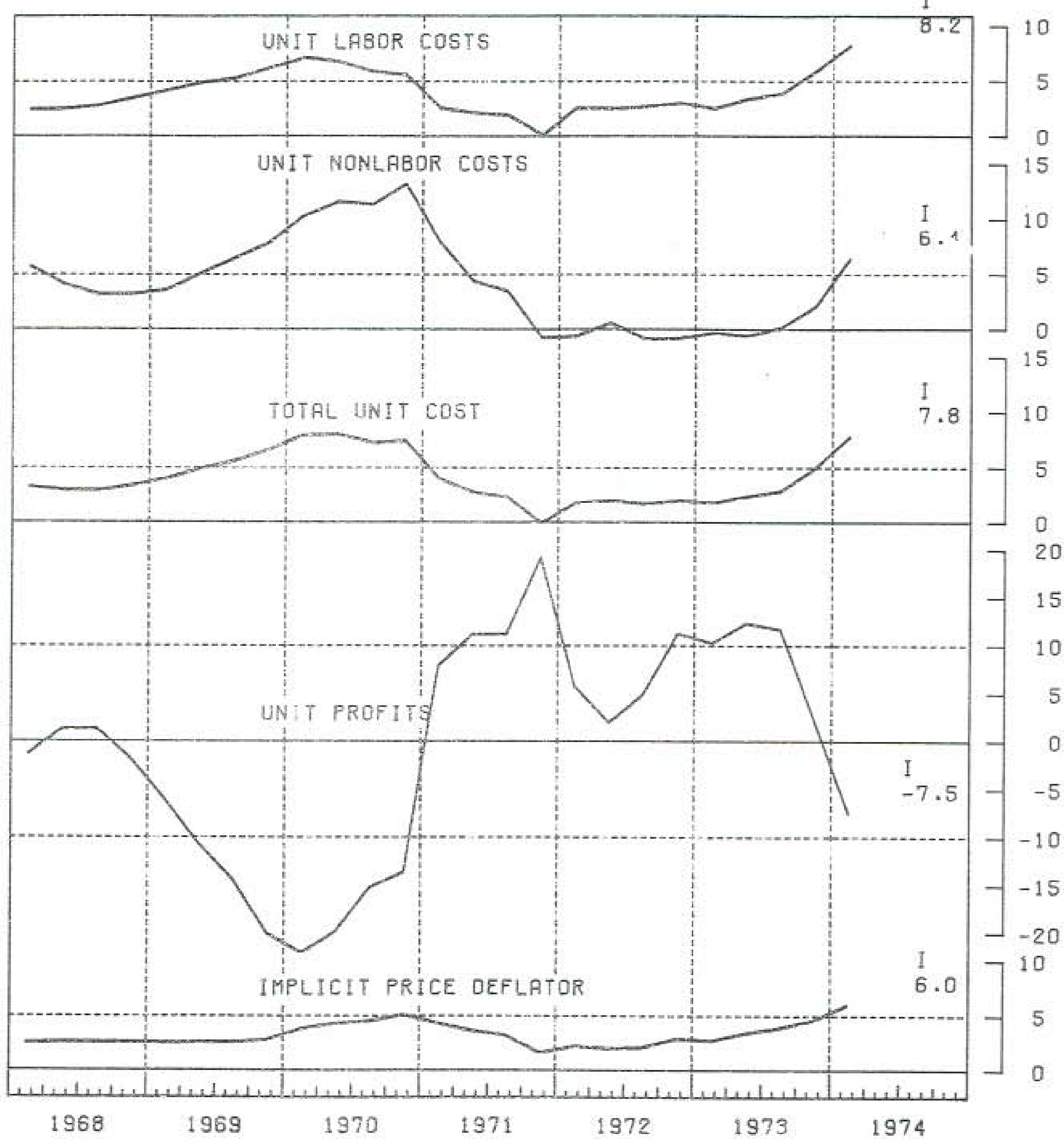
CHART 4.
UNIT COSTS, UNIT PROFITS, AND PRICES
NONFINANCIAL CORPORATIONS
(PERCENT CHANGE FROM SAME
QUARTER A YEAR AGO)



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