

NEWS



U. S. DEPARTMENT OF LABOR BUREAU OF LABOR STATISTICS

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PRODUCTIVITY AND COSTS IN THE PRIVATE ECONOMY, THIRD QUARTER 1974 (and Revised Data for Nonfinancial Corporations, Second Quarter 1974)

Productivity in the private economy declined in the third quarter of 1974 at a 3.0 percent seasonally adjusted annual rate, the Bureau of Labor Statistics of the U.S. Department of Labor announced today. The decline reflected a 3.3 percent drop in output and a 0.3 percent decline in man-hours. During the first and second quarters of 1974, output per man-hour had declined 7.1 percent and increased 0.6 percent, respectively.

In the nonfarm sector, output per man-hour declined at an annual rate of 2.4 percent in the third quarter, compared with a 3.3 percent decline one quarter earlier. The third quarter decrease marked the sixth consecutive quarter of decline or of no growth. It reflects decreases of 3.1 percent in output and 0.6 percent in man-hours from the second quarter.

In manufacturing, output per man-hour declined 0.2 percent in the third quarter, after increasing 4.5 percent in the second quarter. This movement reflected a 0.6 percent decline in output and a 0.4 percent decline in man-hours.

From the third quarter of 1973 to the third quarter of 1974, output per man-hour fell 2.5 percent in the total private economy, 2.9 percent in the nonfarm sector, and remained unchanged in manufacturing. A summary of the third quarter data appears in table A. Details are given in tables 1-3.

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

	2nd Quarter 1974 to 3rd Quarter 1974	3rd Quarter 1973 to 3rd Quarter 1974
<u>Total Private Economy</u> (Preliminary)		
Output per man-hour	-3.0	-2.5
Compensation per man-hour	10.5	9.9
Unit labor costs	13.9	12.6
Real compensation per man-hour	-2.3	-1.7
Output	-3.3	-2.8
Man-hours	-0.3	-0.3
<u>Nonfarm Sector</u> (Preliminary)		
Output per man-hour	-2.4	-2.9
Compensation per man-hour	11.1	9.7
Unit labor costs	13.9	13.1
Real compensation per man-hour	-1.8	-1.8
Output	-3.1	-3.1
Man-hours	-0.6	-0.2
<u>Manufacturing</u> (Preliminary)		
Output per man-hour	-0.2	0.0
Compensation per man-hour	11.9	10.2
Unit labor costs	12.2	10.2
Real compensation per man-hour	-0.9	-1.3
Output	-0.6	-0.9
Man-hours	-0.4	-0.9

The decline in output ^{per man-hour} in the private economy and the nonfarm sector during the third quarter reflected a larger decline in output than in man-hours. This was accomplished through a shortening of the average workweek (down 1.1 percent in both sectors) since employment increased during the quarter (0.8 percent in the private and 0.5 percent in the nonfarm sectors).

In manufacturing output also fell more than man-hours, but in this sector of the economy the change in man-hours reflected a decline in employment (down 1.3 percent at an annual rate) while the workweek lengthened (up 1.0 percent).

COMPENSATION AND LABOR COSTS

Compensation per man-hour (which reflects wage costs, employer Social Security contributions, and other fringe benefits) rose 10.5 percent in the private economy during the third quarter, compared with a 14.2 percent increase during the second quarter. This increase in compensation, combined with the decline in output per man-hour, resulted in a 13.9 percent rise in unit labor costs. Unit labor costs had risen 13.6 percent at an annual rate in the preceeding quarter. Real compensation per man-hour (compensation per man-hour adjusted by the Consumer Price Index) decreased 2.3 percent in the third quarter, compared with a 1.6 percent increase in the second quarter in the private economy. This decline carried real hourly compensation to its lowest level since the first quarter of 1972.

In the nonfarm sector, compensation per man-hour increased 11.1 percent (at an annual rate); unit labor costs increased 13.9 percent. Unit labor costs had increased 14.4 percent in both the first and second quarters of 1974. Real compensation per man-hour in the nonfarm sector declined 1.8 percent, compared with a 1.6 percent decline in the second quarter.

In the manufacturing sector, compensation per man-hour increased 11.9 percent, and unit labor costs rose 12.2 percent. In the preceeding quarter, these measures increased 14.1 percent and 9.1 percent, respectively. Real compensation per man-hour decreased 0.9 percent, compared with a 1.5 percent increase one quarter earlier.

The man-hours data for manufacturing include revisions in the number of proprietors engaged in this sector. These revisions in man-hours are also reflected in the levels of output per man-hour and unit labor costs and extend back to the first quarter of 1971. (See tables B and 3.)

Table B. Revised Manufacturing Man-hours and Associated Measures, 1971-1972
(1967 = 100)

		Man-hours	Output per Man-hour	Unit Labor Cost
1971	I	94.5	113.4	113.2
	II	94.3	115.6	112.3
	III	93.6	116.1	113.3
	IV	94.3	116.1	114.4
	Annual	94.2	115.3	113.2
1972	I	95.4	119.2	114.1
	II	97.1	121.4	113.3
	III	97.7	124.0	112.3
	IV	99.7	125.6	112.8
	Annual	97.5	122.6	113.1

Within the nonfarm sector, changes in the demand for labor, as expressed by changes in manhours, are given in table C.

Table C. Change in Manhours in Nonfarm Sectors
(Percent Change from Previous Quarter at Annual Rate)

Industry	1974-II	1974-III
<u>1/</u> Private Nonfarm	0.4	-0.6
Mining	4.7	4.7
Construction	-9.7	-11.0
Manufacturing	-2.7	-0.3
Transportation	0.4	-1.1
Trade	3.4	-1.0
Finance, Insurance, and Real Estate	1.0	-0.2
Services	4.4	1.9
Other	0.8	-0.4

1/Industry data are for paid employees only, except for the "other" category which includes government enterprises, private households, proprietors, and unpaid family workers.

REVISED FIGURES FOR NONFINANCIAL CORPORATIONS

Revised output per manhour and related measures in nonfinancial corporations for the second quarter of 1974 were also released today. These changes primarily reflect a revision in the output measure for this sector. (See tables D and 4.)

Table D. Preliminary and Revised Measures, Nonfinancial Corporations
(Seasonally Adjusted)

	I 1974 to II 1974		II 1973 to II 1974	
	Preliminary	Revised	Preliminary	Revised
Output per man-hour	1.2	-0.4	-1.6	-1.9
Compensation per man-hour	11.3	11.5	8.6	8.6
Unit labor costs	10.0	11.9	10.3	10.8
Real compensation per man-hour	-1.0	-0.9	-1.9	-1.9
Output	0.3	-1.4	-1.2	-1.6
Manhours	-0.9	-1.0	0.4	0.4

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	COMPENSA- TION PER MAN-HOUR (1)	REAL COMPENSA- TION PER MAN-HOUR (2)	UNIT LABOR COSTS	UNIT NON- LABOR PAY- MENTS (3)	IMPLICIT PRICE DEFLATOR (4)
INDEXES 1967=100								
1973								
I	117.0	124.9	106.7	149.9	116.5	128.1	119.5	124.8
II	116.6	125.6	107.7	152.1	115.7	130.5	121.8	127.1
III	116.1	126.1	108.6	154.2	114.7	132.8	125.0	129.8
IV	116.1	126.8	109.2	157.3	114.4	135.5	127.8	132.5
ANNUAL	116.5	125.8	108.0	153.5	115.3	131.8	123.5	128.6
1974								
I	114.0	124.2	109.0	159.8	113.0	140.2	130.9	136.6
II	114.1R	123.6R	108.3	165.2	113.5	144.8R	132.1R	139.8R
III	113.3P	122.6P	108.2P	169.4P	112.8P	149.6P	135.0P	143.9P
PERCENT CHANGE OVER PREVIOUS QUARTER AT ANNUAL RATE (5)								
1973								
I	6.5	10.0	3.3	13.1	6.9	6.1	5.7	6.0
II	-1.6	2.1	3.8	5.9	-2.7	7.6	7.7	7.6
III	-1.5	1.6	3.1R	5.6	-3.2R	7.3	11.1	8.7
IV	-0.1R	2.3	2.4R	8.4R	-1.3R	8.4	9.2	8.7
ANNUAL	2.9	6.2	3.2	8.0	1.7	5.0	7.0	5.7
1974								
I	-7.1	-7.8	-0.7	6.4	-4.5	14.6	10.0	12.9
II	0.6R	-2.0R	-2.5R	14.2	1.6R	13.6R	3.7R	9.9R
III	-3.0P	-3.3P	-0.3P	10.5P	-2.3P	13.9P	9.2P	12.2P
PERCENT CHANGE OVER CORRESPONDING QUARTER OF PREVIOUS YEAR (6)								
1973								
I	5.3	8.6	3.1	7.9	3.7	2.4	5.5	3.6
II	3.5	6.8	3.2	7.8	2.2	4.2	6.4	5.0
III	2.2R	5.5	3.3	8.0	1.1R	5.7	7.7	6.4
IV	0.8	4.0	3.2	8.2	-0.2	7.4	8.4	7.7
ANNUAL	2.9	6.2	3.2	8.0	1.7	5.0	7.0	5.7
1974								
I	-2.6	-0.5	2.1	6.6	-3.0	9.4	9.5	9.5
II	-2.1R	-1.6R	0.5R	8.6	-1.9	10.9R	8.5R	10.0R
III	-2.5P	-2.8P	-0.3P	9.9P	-1.7P	12.6P	8.0P	10.9P

SEE FOOTNOTES AT END OF TABLE 4.

R=REVISED

P=PRELIMINARY

OCTOBER 30, 1974

SOURCE: BUREAU OF LABOR STATISTICS

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	COMPENSA- TION PER MAN-HOUR (1)	REAL COMPENSA- TION PER MAN-HOUR (2)	UNIT LABOR COSTS	UNIT NON- LABOR PAY- MENTS (3)	IMPLICIT PRICE DEFLATOR (4)
INDEXES 1967=100								
1973								
I	115.7	125.2	108.2	148.0	115.0	127.9	115.9	123.4
II	115.1	126.0	109.5	150.0	114.1	130.3	116.4	125.0
III	115.1	126.8	110.2	152.4	113.4	132.4	117.4	126.7
IV	114.9	127.1	110.7	155.7	113.2	135.5	119.6	129.5
ANNUAL	115.2	126.3	109.6	151.6	113.9	131.6	117.3	126.2
1974								
I	113.3	124.7	110.0	158.9	112.4	140.2	123.6	133.9
II	112.4R	123.7H	110.1	162.9	111.9	145.0R	128.3R	138.7R
III	111.7P	122.8P	109.9P	167.3P	111.4P	149.7P	131.7P	142.9P
PERCENT CHANGE OVER PREVIOUS QUARTER AT ANNUAL RATE (5)								
1973								
I	5.2	9.4	4.0	11.7	5.5	6.2	-0.9	3.6
II	-2.2	2.5	4.8	5.4	-3.2	7.8	1.7	5.6
III	0.0	2.5	2.5R	6.6	-2.3R	6.6	3.7	5.6
IV	-0.8R	1.1	1.9	8.8R	-0.9R	9.7	7.6	9.0
ANNUAL	2.7	6.2	3.4	7.8	1.4	5.0	2.5	4.1
1974								
I	-5.2	-7.5	-2.4	8.4	-2.7	14.4	14.0	14.2
II	-3.3R	-2.9R	0.4	10.7R	-1.6R	14.4R	16.3R	15.1R
III	-2.4P	-3.1P	-0.6P	11.1P	-1.8P	13.9P	10.7P	12.8P
PERCENT CHANGE OVER CORRESPONDING QUARTER OF PREVIOUS YEAR (6)								
1973								
I	5.1	8.7	3.4	7.6	3.4	2.4	2.6	2.4
II	3.4	6.9	3.4	7.7	2.1	4.1	2.3	3.5
III	1.8	5.6	3.7	7.7	0.8	5.8	1.9	4.4
IV	0.5	3.8	3.3	8.1	-0.3	7.6	3.0	5.9
ANNUAL	2.7	6.2	3.4	7.8	1.4	5.0	2.5	4.1
1974								
I	-2.1	-0.4	1.7	7.3	-2.3	9.6	6.7	8.5
II	-2.3R	-1.8R	0.6	8.6	-1.9	11.2R	10.3R	10.9R
III	-2.9P	-3.1P	-0.2P	9.7P	-1.6P	13.1P	12.1P	12.7P

SEE FOOTNOTES AT END OF TABLE 4.

R=REVISED
P=PRELIMINARY

OCTOBER 30, 1974
SOURCE: BUREAU OF LABOR STATISTICS

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
<u>Indexes 1967 = 100</u>						
1973						
I	128.3r	129.9	101.2r	144.7	112.5	112.8r
II	129.5r	132.3	102.2r	147.4	112.1	113.8r
III	131.1r	133.9	102.2r	150.3	111.8	114.7r
IV	129.9r	134.3	103.4r	153.2	111.4	117.9r
Annual	129.8r	132.6	102.2r	148.9	111.9	114.8r
1974						
I	129.7r	132.3	102.0r	155.8	110.2	120.1r
II	131.1	132.9r	101.3r	161.1	110.6	122.8
III	131.1p	132.7p	101.2p	165.7p	110.4p	126.4p
<u>Percent Change from Previous Quarter at Annual Rate (5)</u>						
1973						
I	9.0r	15.9	6.3r	8.9	2.9	-0.1r
II	3.7	7.6	3.8	7.5	-1.4	3.7
III	4.9	4.9	0.0	8.1	-0.9	3.0
IV	-3.4	1.2	4.8	8.0	-1.7	11.9
Annual	5.9	11.0	4.8	7.4	1.1	1.4
1974						
I	-0.7	-5.8	-5.1	7.0	-4.1	7.7r
II	4.5r	1.8r	-2.6r	14.1r	1.5r	9.1r
III	-0.2p	-0.6p	-0.4p	11.9p	-0.9p	12.2r
<u>Percent Change from Previous Year (5)</u>						
1973						
I	7.7	14.2	6.1	6.4	2.3	-1.2
II	6.7	12.2	5.2	7.2	1.6	0.5r
III	5.7	10.5	4.5	7.9	1.0	2.1r
IV	3.4r	7.3	3.7	8.1	-0.3	4.5
Annual	5.9	11.0	4.8	7.4	1.1	1.4
1974						
I	1.1	1.8	0.8	7.7	-2.0	6.5
II	1.3r	0.5r	-0.8	9.3	-1.3	7.9r
III	0.0p	-0.9p	-0.9	10.2p	-1.3p	10.2p

See footnotes following table 4.

r = revised

p = preliminary

SOURCE: Bureau of Labor Statistics
October 30, 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	Compensa- tion per man-hour (1)	Real Compensa- tion per man-hour (2)	Unit Labor Costs	Unit Nonlabor Costs (8)	Total Unit Costs (9)	Unit Profits (10)	Implicit Price Deflator
Indexes 1967 = 100										
1973										
I	123.1	130.7	106.2	149.4	116.1	121.4	125.7	122.5	91.9	117.8
II	123.3	132.3	107.3	151.8	115.4	123.1	127.1	124.1	91.3	119.1
III	123.5	132.9	107.7	154.4	114.9	125.1	128.3	125.9	90.2	120.5
IV	122.7	133.4	108.7	157.2	114.2	128.1	129.9	128.5	89.7	122.6
Annual	123.1	132.3	107.5	153.1	115.0	124.4	127.7	125.2	90.8	120.0
1974										
I	121.0	130.6	107.9	160.4	113.5	132.6	134.2	133.0	86.8	126.0
II	120.9r	130.2r	107.7	164.9r	113.2	136.4r	137.9r	136.7r	90.9r	129.8
Percent Change from Previous Quarter at Annual Rate (5)										
1973										
I	8.2	12.5	4.0	13.4	7.2	4.8	-3.2	2.7	3.4	2.8
II	0.7	4.8	4.0	6.5	-2.2	5.7	4.3	5.3	-2.6	4.4
III	0.6	2.0	1.5	7.2	-1.9	6.6	3.8	5.9	-4.5	4.6
IV	-2.3	1.5	3.9	7.3	-2.2	9.9	5.2	8.7	-2.5	7.4
Annual	3.7	7.8	4.0	7.9	1.5	4.1	0.7	3.2	4.7	3.4
1974										
I	-5.5	-8.1	-2.8	8.5	-2.6	14.9	13.9	14.6	-12.3	11.4
II	-0.4r	-1.4r	-1.0r	11.5r	-0.9r	11.9r	11.4r	11.8r	20.2r	12.6
Percent Change from Previous Year										
1973										
I	5.3	10.0	4.5	7.2	3.0	1.8	-1.2	1.0	9.3	2.0
II	4.4	8.7	4.0	7.7	2.2	3.2	-0.5	2.2	7.5	2.8
III	3.4	7.6	4.0	8.0	1.1	4.5	0.7	3.5	4.3	3.6
IV	1.7	5.1	3.3	8.6	0.2	6.7	2.5	5.6	-1.6	4.8
Annual	3.7	7.8	4.0	7.9	1.5	4.1	0.7	3.2	4.7	3.4
1974										
I	-1.7	-0.1	1.6	7.4	-2.2	9.2	6.8	8.6	-5.6	6.9
II	-1.9r	-1.6r	0.4	8.6	-1.9	10.8r	8.5r	10.2r	-0.5r	9.0

See footnotes following table 4.
r = revised

SOURCE: Bureau of Labor Statistics
October 30, 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)

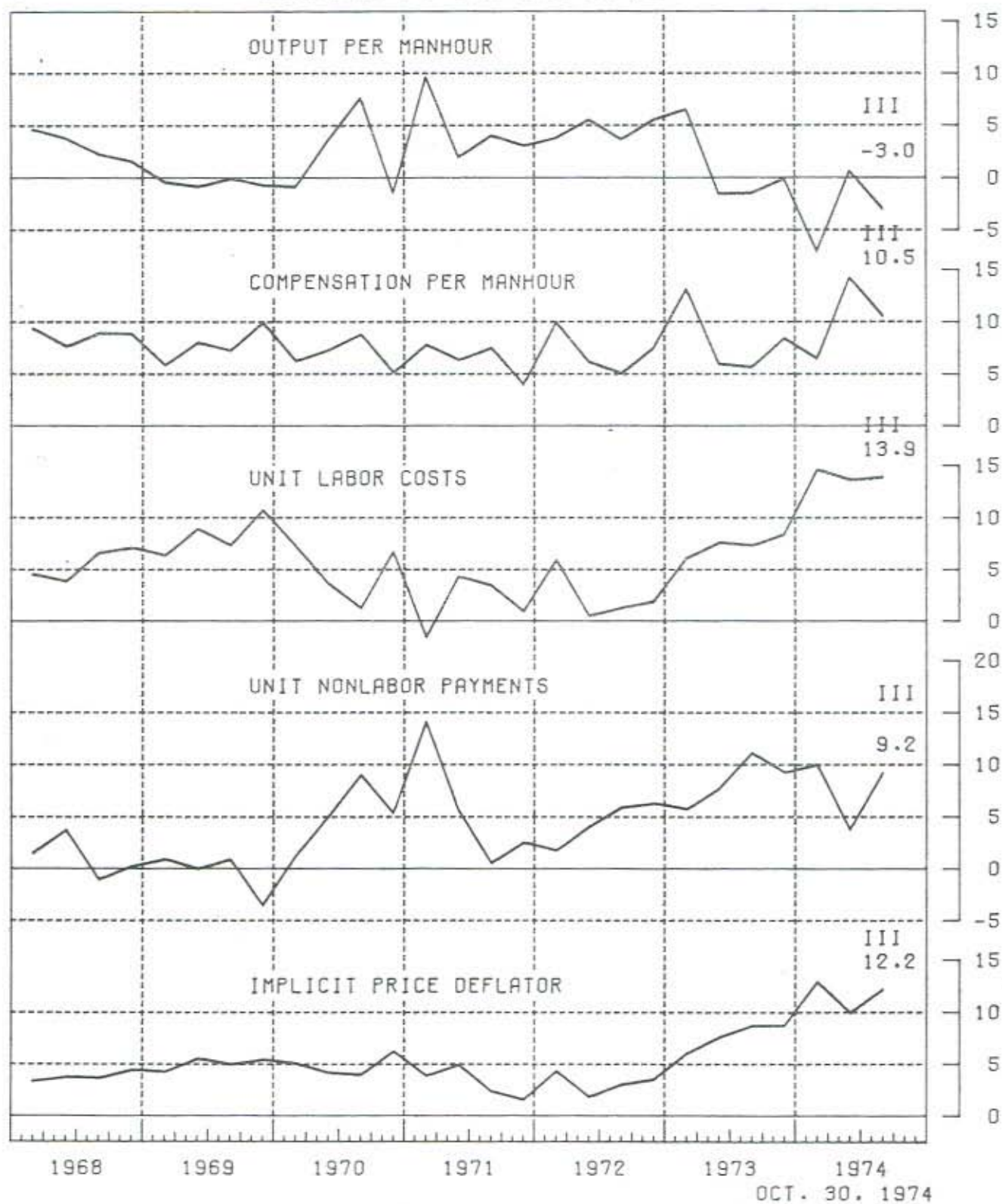


CHART 2. PRODUCTIVITY, HOURLY
COMPENSATION, UNIT COSTS AND PRICES
PRIVATE NONFARM SECTOR
(PERCENT CHANGE FROM PRECEDING
QUARTER AT ANNUAL RATE)

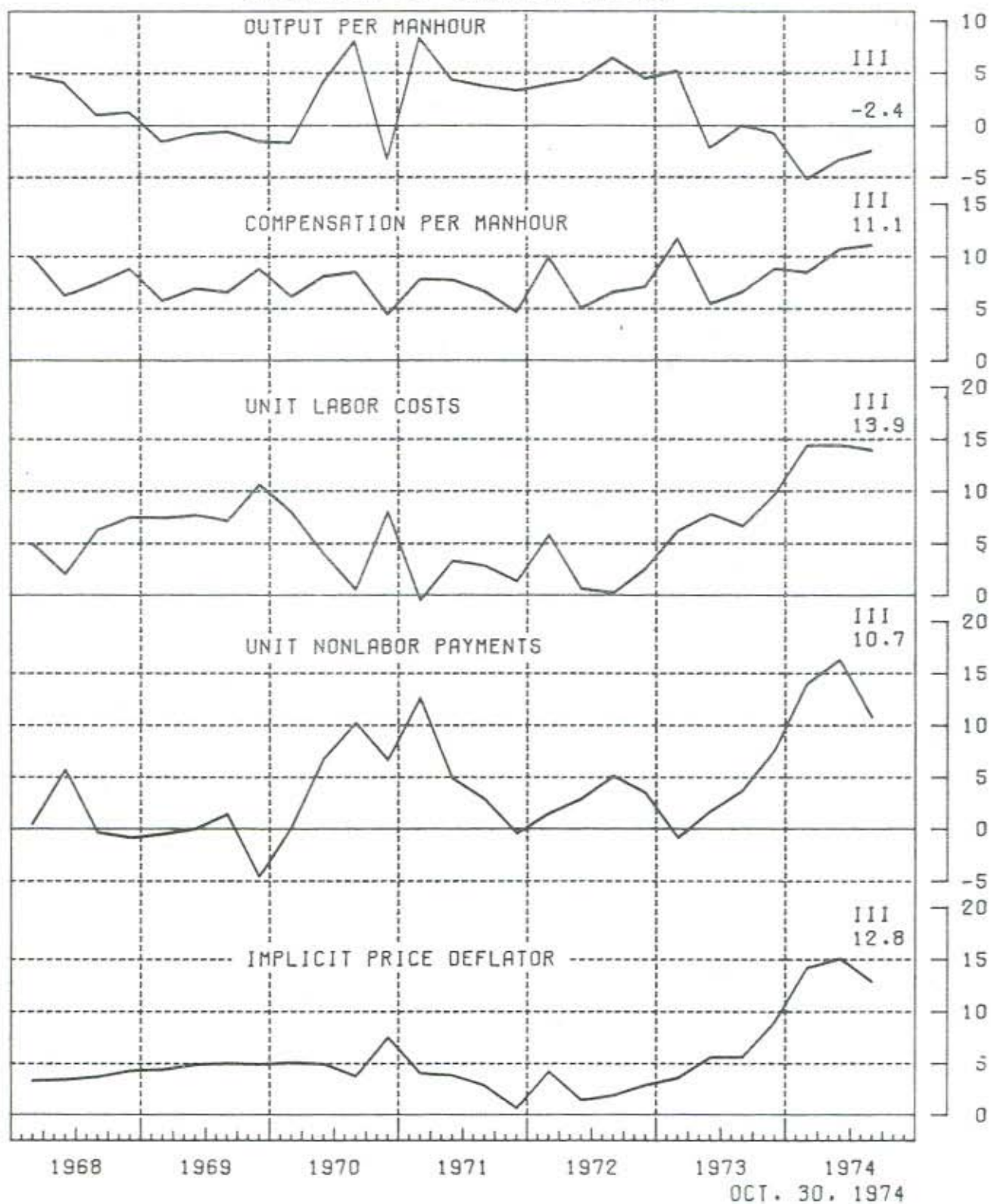


CHART 3. PRODUCTIVITY, HOURLY
COMPENSATION, UNIT COSTS AND PRICES
NONFINANCIAL CORPORATIONS
(PERCENT CHANGE FROM SAME
QUARTER A YEAR AGO)

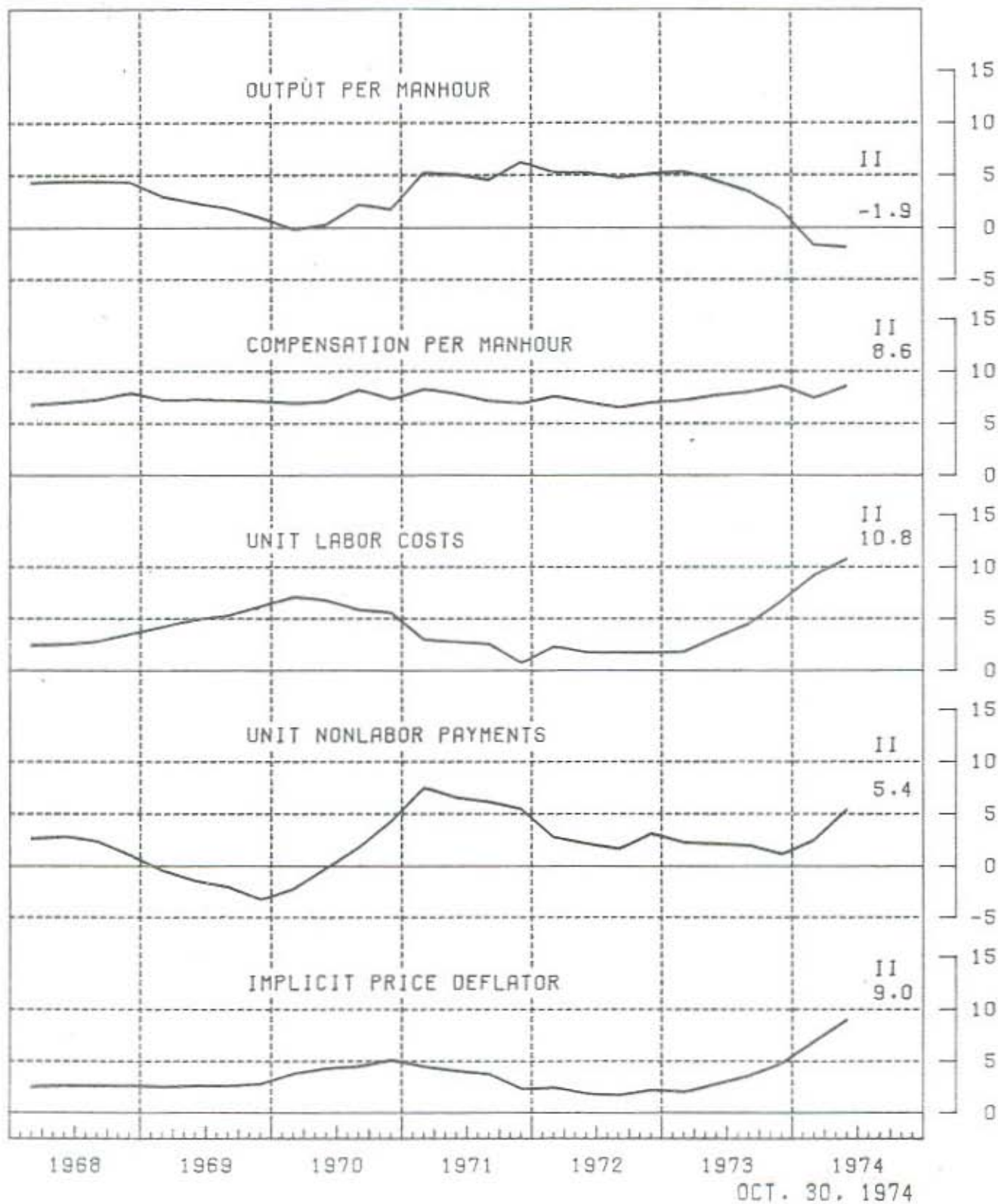


CHART 4.
UNIT COSTS, UNIT PROFITS, AND PRICES
NONFINANCIAL CORPORATIONS
(PERCENT CHANGE FROM SAME
QUARTER A YEAR AGO)

