

NEWS



U. S. DEPARTMENT OF LABOR
OFFICE OF INFORMATION, WASHINGTON, D. C. 20210

FOR RELEASE: A.M. Editions
Friday, April 23, 1971

USDL - 71-232
Bureau of Labor Statistics
961-2431 or 961-3349

Productivity and Costs

First Quarter 1971

Productivity rose substantially in the first quarter in line with a very sharp rise in output, the U.S. Department of Labor's Bureau of Labor Statistics announced today. For the private economy, output per man-hour increased at an annual rate of 5.3 percent, while, for the nonfarm sector, the advance was even larger--5.9 percent.

Since the automobile strike had a dampening effect on productivity growth in the fourth quarter, the sharp rise this quarter in part reflected recovery in production after the settlement of this strike. Throughout the strike, large numbers of salaried workers in the auto industry and other industries supplying parts to auto producers were retained on the payroll. With the renewal of activity following the strike, production and sales accelerated, while employment increased only moderately. Productivity in the nation's factories advanced by 8.7 percent, stimulated by a jump of 11 percent in production.

Compared with the first quarter of last year, output per man-hour in the private economy advanced by 3.3 percent--about the same as the average annual rate of increase experienced over the past two decades.

The large increases in output per man-hour tended to hold down advances in unit labor costs despite a very sharp rise in hourly compensation. Unit labor costs in the private economy rose at an annual rate of 3.9 percent. Hourly compensation, however, increased at an unusually large rate of 9.4 percent, reflecting in part the recovery from the dampening effect of the auto strike on hourly compensation in the fourth quarter. This part of the increase came about because the weight of the high-wage auto industry in the index was reduced in the fourth quarter and increased in the first quarter. In addition, the auto wage settlement as well as other settlements raised compensation in the first quarter.

Real compensation per man-hour (hourly compensation adjusted for changes in the consumer price index) also increased substantially at an annual rate of 6.3 percent.

While unit labor costs slowed down, unit nonlabor payments (such as depreciation, profits, interest, etc.) changed only moderately, increasing slightly faster in the private economy and slightly slower in the nonfarm sector. The implicit price deflator, which represents the weighted sum of all unit costs, slowed down to an annual rate of 4.5 in the private sector and 4.1 percent in the nonfarm sector.

(The full quarterly report relating productivity to wages and prices will be available about May 4.)

Table 1. Output per Man-Hour, Hourly Compensation, Unit Costs, and Prices in the Private Economy, Seasonally Adjusted, (Indexes 1967=100)

Year and quarter	Output	Man-hours	Output per man-hour	Compensation per man-hour <u>1/</u>	Real compensation per man-hour <u>2/</u>	Unit labor costs	Unit non-labor payments <u>3/</u>	Implicit price deflator <u>4/</u>
1970								
1st . . .	107.4	103.9	103.3	120.8	106.0	116.9	102.9	111.5
2nd . . .	107.6	103.1	104.3	122.4	105.7	117.3	105.1	112.6
3rd . . .	108.0	102.5	105.4	124.7	106.5	118.3	107.0	113.9
4th . . .	106.8	101.3	105.4	126.7	106.9	120.2	108.1	115.5
Annual Ave.	107.4	102.7	104.6	123.6	106.2	118.2	105.8	113.4
1971								
1st . . .	108.6	101.7	106.8	129.6	108.5	121.4	109.5	116.8
<u>Percent Change Over Previous Quarter at Annual Rate <u>5/</u></u>								
1970								
1st . . .	- 3.0	- 0.5	- 2.5	6.8	0.5	9.6	- 2.0	5.3
2nd . . .	0.7	- 3.0	3.7	5.3	- 1.1	1.5	8.6	4.1
3rd . . .	1.6	- 2.6	4.3	7.7	3.1	3.3	7.3	4.7
4th . . .	- 4.4	- 4.4	0.1	6.7	1.3	6.7	4.3	5.8
Annual Ave. <u>6/</u>	- 0.5	- 1.3	0.9	7.1	1.1	6.2	2.3	4.7
1971								
1st . . .	6.8	1.5	5.3	9.4	6.3	3.9	5.4	4.5
<u>Percent Change Over Previous Year</u>								
1971								
1st quarter <u>7/</u>	1.1	- 2.1	3.3	7.3	2.4	3.8	6.4	4.8

See footnotes at end of table 3.

Table 2. Output per Man-Hour, Hourly Compensation, Unit Costs, and Prices in the Private Nonfarm Sector, Seasonally Adjusted, (Indexes 1967=100)

Year and quarter	Output	Man-hours	Output per man-hour	Compensation per man-hour <u>1/</u>	Real compensation per man-hour <u>2/</u>	Unit labor costs	Unit non-labor payments <u>3/</u>	Implicit price deflator <u>4/</u>
1970								
1st . . .	107.9	105.2	102.6	119.4	104.8	116.4	102.2	111.0
2nd . . .	108.0	104.3	103.6	121.2	104.7	117.0	104.6	112.3
3rd . . .	108.5	103.6	104.7	123.5	105.5	117.9	106.7	113.7
4th . . .	107.0	102.6	104.3	125.3	105.7	120.1	108.4	115.7
Annual Ave.	107.9	103.9	103.8	122.3	105.1	117.8	105.5	113.2
1971								
1st . . .	109.0	103.0	105.8	128.1	107.3	121.1	109.9	116.8
<u>Percent Change Over Previous Quarter at Annual Rate <u>5/</u></u>								
1970								
1st . . .	- 2.9	- 0.1	- 2.9	6.6	0.3	9.8	- 3.8	4.8
2nd . . .	0.4	- 3.3	3.9	5.9	- 0.6	1.9	9.8	4.6
3rd . . .	1.7	- 2.7	4.5	7.9	3.2	3.2	8.5	5.0
4th . . .	- 5.2	- 3.9	- 1.4	6.1	0.7	7.7	6.5	7.2
Annual Ave. <u>6/</u>	- 0.4	- 1.0	0.6	6.8	0.8	6.2	2.3	4.8
1971								
1st . . .	7.6	1.6	5.9	9.3	6.2	3.3	5.7	4.1
<u>Percent Change Over Previous Year</u>								
1971								
1st quarter <u>7/</u>	1.0	- 2.1	3.2	7.3	2.3	4.0	7.6	5.2

See footnotes at end of table 3.

Table 3. Output per Man-Hour, Hourly Compensation and Unit Labor Costs in the Manufacturing Sector, Seasonally Adjusted, (Indexes 1967=100)

Year and quarter	Output <u>8/</u>	Man-hours	Output per man-hour	Compensation per man-hour <u>1/</u>	Real compensation per man-hour <u>2/</u>	Unit labor costs
1970						
1st . . .	108.8	101.8	106.8	118.5	104.0	110.9
2nd . . .	107.7	99.6	108.2	120.6	104.2	111.4
3rd . . .	106.4	98.0	108.6	122.9	105.1	113.0
4th . . .	102.3	94.4	108.4	124.7	105.2	115.0
Annual Ave.	106.4	98.4	108.1	121.6	104.6	112.5
1971	104.1					116.4
1st . . .	105.0	94.9	110.7	127.9	107.1	115.6
<u>Percent Change Over Previous Quarter at Annual Rate <u>5/</u></u>						
1970						
1st . . .	- 4.4	- 6.0	1.4	6.5	0.2	4.8
2nd . . .	- 4.0	- 8.5	5.2	7.1	0.5	1.7
3rd . . .	- 4.7	- 6.4	1.7	8.2	3.5	6.2
4th . . .	-14.6	-13.9	- 0.8	6.0	0.6	7.1
Annual Ave. <u>6/</u>	- 4.0	- 5.1	1.2	6.7	0.7	5.5
1971	7.2		4.8			5.6
1st . . .	11.0	2.2	8.7	10.6	7.5	2.0
<u>Percent Change Over Previous Year</u>						
1971	-4.3		2.7			5.1
1st quarter <u>7/</u>	- 3.5	- 6.8	3.6	7.9	3.0	4.2

See footnotes at end of table.

FOOTNOTES, TABLES 1 TO 3

Source: Output data from the Office of Business Economics, 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 Office of Business Economics.

1/ Wages and salaries of employees plus employers' contributions for social insurance and private benefits plans. 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.

6/ Percentage change of annual average.

7/ Current quarter divided by comparable quarter a year ago.

8/ Quarterly measures adjusted to annual estimates of output (gross product originating) from the Office of Business Economics, U.S. Department of Commerce.