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Productivity and Costs

Third Quarter 1971

Productivity (output per man-hour) for the private economy increased at an annual rate of 4.3 percent in the third quarter, the U.S. Department of Labor's Bureau of Labor Statistics announced today. This increase exceeded the 3.4 percent rate of productivity gain in the second quarter. The greater increase resulted from the sharp productivity rise in agriculture. In the nonfarm sector, productivity rose at an annual rate of 2.1 percent -- substantially below the second quarter increase of 4.3 percent.

	Output per man-hour	Compensation per man-hour	Unit Labor Costs	Real Compensation per man-hour
<u>Total Private</u>				
<u>Percent Change Over Previous Quarter at Annual Rate</u>				
1971				
3rd	4.3	6.2	1.8	1.8
<u>Percent Change Over Previous Year</u>				
1971				
3rd	3.5	7.2	3.5	2.7
<u>Private Nonfarm</u>				
<u>Percent Change Over Previous Quarter at Annual Rate</u>				
1971				
3rd	2.1	5.4	3.2	1.0
<u>Percent Change Over Previous Year</u>				
1971				
3rd	2.8	6.9	4.0	2.5

The productivity increases were accompanied by a slower growth in output and an actual decline in man-hours. Despite gains in employment during this quarter, man-hours declined because of a cutback of the workweek.

Compared to the same quarter a year ago, productivity rose by 3.5 percent in the private economy and by 2.8 percent in the nonfarm sector.

For the manufacturing sector, during the third quarter productivity actually declined by 2.1 percent (annual rate). The fall off in man-hours was exceeded by the decline in output, which reflected in part the sharp drop in steel production. The decline in man-hours here reflected cutbacks in both employment and average weekly hours. Compared to the same quarter a year ago, manufacturing productivity rose by slightly less than two percent.

Hourly compensation grew at a significantly slower pace in the third quarter in all three sectors. In the private economy the increase was 6.2 percent (compared to an average of 8.2 percent for the first two quarters of 1971). In the nonfarm sector the increase was 5.4 percent (annual rate) -- compared to an average gain of 8.5 percent in the first two quarters of the year. Manufacturing experienced the smallest increase of all -- 4.4 percent.

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The smaller increases in hourly compensation during the third quarter reflected in part the establishment of the wage freeze midway in the quarter (August 15). In addition, shifts in relative importance of industrial sectors and occupational groups also contributed to the smaller increase in hourly compensation in the third quarter. For an explanation of how these factors affect average hourly compensation, see the note covering average earnings and wage changes released on October 5 (USDL 71-520).

The smaller increase in hourly compensation, together with the greater productivity gains, resulted in a slackening in the growth of unit labor costs in the entire private economy -- 1.8 percent at annual rate compared to 3.8 percent in the previous quarter. In the nonfarm sector, however, unit labor costs showed virtually the same increase in both quarters (3.2 and 3.4). In this sector the reduced productivity gain approximately matched the reduced rate of increase in hourly compensation.

During the third quarter the increase in average hourly compensation continued to exceed the increase in consumer prices, and real hourly compensation (compensation per man-hour adjusted for price changes) rose by about two percent in the private economy and one percent in the nonfarm sector. In manufacturing the increase in hourly compensation and in consumer prices were virtually the same and there was no change in real hourly compensation. Compared to the third quarter a year ago, real hourly compensation increased by about 2-1/2 percent in the private and nonfarm sectors and by two percent in manufacturing. (Attached is October 5 release).

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 cost	Unit non-labor payments <u>3/</u>	Implicit price deflator <u>4/</u>
1970								
1st...	106.7	103.7	103.0	121.1	106.3	117.7	102.1	111.6
2nd...	106.9	103.1	103.7	122.5	105.9	118.1	104.4	112.8
3rd...	107.3	102.0	105.3	125.3	107.1	119.0	106.4	114.1
4th...	106.1	100.8	105.3	127.2	107.2	120.7	108.1	115.9
Annual Ave.	106.8	102.4	104.3	124.0	106.6	118.9	105.3	113.6
1971								
1st...	108.3	101.3	106.9	129.9	108.7	121.5	110.3	117.1
2nd...	109.7	101.7	107.8	132.2	109.5	122.6	111.5	118.3
3rd...	110.5	101.4	109.0	134.2	109.9	123.2	113.2	119.3
<u>Percent Change Over Previous Quarter at Annual Rate <u>5/</u></u>								
1970								
1st...	- 3.0	- 1.4	- 1.6	7.9	1.5	9.7	- 1.9	5.4
2nd...	0.8	- 2.2	3.1	4.7	- 1.7	1.6	9.0	4.2
3rd...	1.5	- 4.3	6.1	9.4	4.6	3.1	8.2	4.9
4th...	- 4.4	- 4.5	0.2	6.1	0.7	6.0	6.6	6.2
Annual Ave. ^{6/}	- 0.7	- 1.6	0.9	7.2	1.2	6.3	2.6	4.9
1971								
1st...	8.6	2.1	6.3	9.0	5.6	2.6	8.0	4.5
2nd...	5.2	1.7	3.4	7.3	2.8	3.8	4.6	4.1
3rd...	2.9	- 1.3	4.3	6.2	1.8	1.8	6.1	3.4
<u>Percent Change Over Previous Year <u>7/</u></u>								
1971								
1st...	1.5	- 2.3	3.9	7.3	2.3	3.3	8.0	4.9
2nd...	2.6	- 1.3	4.0	7.9	3.4	3.8	6.9	4.9
3rd...	3.0	- 0.5	3.5	7.2	2.7	3.5	6.3	4.5

See footnotes at end of table 3.

NOTE: Data have been revised to reflect new man-hour benchmarks. Revisions of earlier data are shown on Table 4.

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 cost	Unit non-labor payments <u>3/</u>	Implicit price deflator <u>4/</u>
1970								
1st...	107.1	104.9	102.1	119.7	105.0	117.2	101.3	111.2
2nd...	107.2	104.0	103.1	121.5	105.0	117.8	104.0	112.6
3rd...	107.7	103.1	104.6	124.1	106.0	118.7	106.6	114.1
4th...	106.2	102.0	104.1	125.7	106.0	120.7	108.8	116.2
Annual Ave.	107.1	103.5	103.5	122.7	105.5	118.6	105.2	113.5
1971								
1st...	108.5	102.5	105.8	128.5	107.5	121.4	110.7	117.4
2nd...	109.9	102.8	107.0	131.0	108.4	122.4	112.0	118.5
3rd...	110.3	102.6	107.5	132.7	108.7	123.4	113.6	119.7
Percent Change Over Previous Quarter at Annual Rate <u>5/</u>								
1970								
1st...	- 2.7	- 1.2	- 1.5	7.5	1.1	9.1	- 3.4	4.5
2nd...	0.6	- 3.6	4.3	6.3	- 0.2	1.9	11.2	5.1
3rd...	2.0	- 3.5	5.6	8.7	4.0	2.9	10.4	5.5
4th...	- 5.6	- 4.0	- 1.6	5.5	0.1	7.2	8.2	7.6
Annual Ave. ^{6/}	- 0.7	- 1.4	0.7	7.0	1.0	6.3	2.8	5.0
1971								
1st...	8.9	2.1	6.7	9.1	5.7	2.3	7.4	4.1
2nd...	5.3	1.0	4.3	7.8	3.3	3.4	4.8	3.9
3rd...	1.5	- 0.6	2.1	5.4	1.0	3.2	5.8	4.1
Percent Change Over Previous Year <u>7/</u>								
1971								
1st...	1.3	- 2.3	3.7	7.4	2.4	3.6	9.3	5.5
2nd...	2.5	- 1.2	3.7	7.8	3.3	3.9	7.7	5.2
3rd...	2.4	- 0.4	2.8	6.9	2.5	4.0	6.6	4.9

See footnotes at end of table 3.

NOTE: Data have been revised to reflect new man-hour benchmarks. Revisions of earlier data are shown on Table 4.

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...	107.5	101.5	105.9	118.4	104.0	111.8
2nd...	107.3	99.3	108.1	120.3	104.0	111.4
3rd...	106.5	97.5	109.2	122.9	105.1	112.6
4th...	101.4	94.0	107.9	124.7	105.1	115.6
Annual Ave.	105.7	98.1	107.7	121.6	104.6	112.9
1971						
1st...	104.2	94.6	110.1	127.8	106.9	116.0
2nd...	106.0	94.7	111.9	129.4	107.2	115.7
3rd...	104.5	93.9	111.3	130.8	107.1	117.6
Percent Change Over Previous Quarter at Annual Rate <u>5/</u>						
1970						
1st...	- 7.1	- 6.3	- 0.8	6.0	- 0.1	6.7
2nd...	- 0.7	- 8.5	8.6	6.5	0.0	- 1.4
3rd...	- 2.9	- 6.9	4.1	9.1	4.3	4.4
4th...	-17.8	-13.8	- 4.7	5.8	0.2	11.1
Annual Ave. <u>6/</u>	- 3.8	- 5.3	1.5	6.6	0.6	5.0
1971						
1st...	11.5	2.8	8.4	10.3	7.0	1.4
2nd...	7.1	0.4	6.7	5.2	0.8	- 1.0
3rd...	- 5.5	- 3.4	- 2.1	4.4	0.0	6.7
Percent Change Over Previous Year <u>7/</u>						
1971						
1st...	- 3.1	- 6.8	4.0	7.9	2.9	3.8
2nd...	- 1.2	- 4.6	3.5	7.6	3.1	3.9
3rd...	- 1.9	- 3.7	1.9	6.4	2.0	4.4

See footnotes at end of table 3.

NOTE: Data have been revised to reflect new man-hour benchmarks and the new Federal Reserve Board Index of manufacturing production.

FOOTNOTES, TABLES 1 TO 4

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.

Table 4.

Revised Indexes of Output per Man-Hour, Hourly Compensation
and Unit Labor Costs, 1968-69 (Indexes 1967=100)

Year and Quarter	Seasonally Adjusted							
	Output	Man- Hours	Output per man-hour	Compen- sation per man- hour <u>1/</u>	Real Compen- sation per man- hour <u>2/</u>	Unit labor cost	Unit non-labor pay- ments <u>3/</u>	Implicit price deflator <u>4/</u>
<u>Total Private</u>								
1968								
1st.....	102.6	100.8	101.8	104.4	102.0	102.5	101.5	102.1
2nd.....	104.6	101.8	102.7	106.3	102.7	103.5	102.5	103.1
3rd.....	105.6	102.2	103.3	108.6	103.6	105.1	102.2	104.0
4th.....	106.3	102.5	103.7	110.9	104.6	106.9	102.2	105.1
Annual Ave.	104.8	101.8	102.9	107.6	103.2	104.6	102.0	103.6
1969								
1st.....	107.1	103.4	103.6	112.6	104.9	108.7	102.5	106.3
2nd.....	107.5	104.2	103.1	114.4	104.8	110.9	102.6	107.7
3rd.....	108.0	104.5	103.4	116.6	105.4	112.8	102.9	109.0
4th.....	107.6	104.0	103.4	118.9	105.9	115.0	102.6	110.2
Annual Ave.	107.5	104.0	103.4	115.6	105.3	111.9	102.6	108.3
<u>Private Nonfarm</u>								
1968								
1st.....	102.8	100.9	101.9	104.6	102.2	102.6	101.3	102.1
2nd.....	104.9	102.0	102.9	106.1	102.5	103.1	102.7	103.0
3rd.....	105.9	102.7	103.2	108.0	103.1	104.7	102.6	103.9
4th.....	106.6	103.0	103.5	110.3	104.1	106.6	102.4	105.0
Annual Ave.	105.1	102.1	102.9	107.3	102.9	104.3	102.3	103.5
1969								
1st.....	107.2	104.0	103.1	111.9	104.3	108.6	102.4	106.3
2nd.....	107.9	104.9	102.8	113.7	104.2	110.6	102.2	107.4
3rd.....	108.3	105.4	102.7	115.5	104.4	112.5	102.8	108.8
4th.....	107.8	105.2	102.4	117.5	104.7	114.7	102.2	110.0
Annual Ave.	107.8	104.9	102.7	114.7	104.5	111.6	102.3	108.1
<u>Manufacturing</u>								
1968								
1st.....	104.7	100.9	103.8	104.6	102.2	100.8	n.a.	n.a.
2nd.....	106.4	101.6	104.7	106.2	102.6	101.4	n.a.	n.a.
3rd.....	107.4	102.3	105.0	107.9	103.0	102.8	n.a.	n.a.
4th.....	108.3	102.8	105.4	110.0	103.8	104.4	n.a.	n.a.
Annual Ave.	106.7	101.9	104.7	107.2	102.9	102.3	n.a.	n.a.
1969								
1st.....	109.0	103.0	105.8	111.5	103.9	105.4	n.a.	n.a.
2nd.....	109.9	104.0	105.7	113.0	103.5	106.9	n.a.	n.a.
3rd.....	111.3	104.0	107.0	115.0	103.9	107.5	n.a.	n.a.
4th.....	109.5	103.2	106.1	116.7	104.0	110.0	n.a.	n.a.
Annual Ave.	109.9	103.6	106.1	114.1	103.9	107.5	n.a.	n.a.