

NEWS



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

FOR RELEASE: A.M. Editions, Friday
May 26, 1972

USDL - 72-326
Bureau of Labor Statistics
961-2431 or 961-3349

Productivity and Costs in Nonfinancial Corporations First Quarter 1972

Productivity in the nonfinancial corporate sector rose sharply in the first quarter of 1972 mainly as a result of a large gain in output, the U. S. Department of Labor's Bureau of Labor Statistics announced today. Output per man-hour rose 7 percent compared to 4.7 percent in the fourth quarter of 1971, reflecting an acceleration in real corporate output from 9.0 percent in the fourth quarter to 12 percent in the first quarter.

BLS also issued revised figures for the private, private nonfarm, and manufacturing sectors during the first quarter. These data showed slightly larger increases in productivity than were originally reported last month, reflecting the recent revisions of the Gross National Product and the manufacturing production index.

Note: With this release, the Bureau of Labor Statistics begins regular publication of a quarterly report on productivity in nonfinancial corporations. This report will also include revisions in data published the preceding month on productivity in the private, private nonfarm, and manufacturing sectors based on revisions in estimates of Gross National Product. In general, output and productivity in the corporate sector are subject to wider swings than in the more comprehensive private and nonfarm sectors. Other characteristics of the new series were explained in USDL press release 72-242 issued April 25.

A summary of the new corporate data and the revised data for the other sectors of the economy is presented below.

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

	4th Quarter 1971 to <u>1st Quarter 1972</u>	1st Quarter 1971 to <u>1st Quarter 1972</u>
<u>Nonfinancial Corporations (Preliminary)</u>		
Output per man-hour	7.0	5.0
Compensation per man-hour	10.4	6.7
Unit labor costs	3.2	1.6
Real compensation per man-hour	6.8	3.1
<u>Total Private (revised)</u>		
Output per man-hour	2.3	2.8
Compensation per man-hour	8.6	6.3
Unit labor costs	6.2	3.4
Real compensation per man-hour	5.1	2.7
<u>Private Nonfarm (revised)</u>		
Output per man-hour	3.9	3.4
Compensation per man-hour	9.4	6.6
Unit labor costs	5.3	3.1
Real compensation per man-hour	5.7	3.0
<u>Manufacturing (revised)</u>		
Output per man-hour	3.5	3.0
Compensation per man-hour	9.9	5.5
Unit labor costs	6.2	2.4
Real compensation per man-hour	6.4	1.9

The productivity increase for nonfinancial corporations over the four-quarter period was 5.0 percent. This compares with an over-the-year increase of 3.4 percent for the private nonfarm sector and 3.0 percent for manufacturing.

Hourly compensation rose at an annual rate of 10.4 percent, reflecting not only the expected bulge following the Phase I freeze period, but also retroactive wage payments and increased employer contributions to Social Security. Although the compensation estimates obtained from the national income accounts include retroactive wage payments earned in the first quarter, they do not include retroactive payments earned in the fourth quarter of 1971. Thus, the compensation levels in the fourth quarter are too low by the amount of earnings approved retroactively. This tends to overstate the percentage change in compensation per man-hour in the first quarter and understate the change in the fourth quarter.

Over the two quarters, i.e., from third quarter of 1971 to first quarter of 1972, the increase at an annual rate was 6.8 percent. Over the four-quarter period ending with the first quarter of 1972, compensation per man-hour increased 6.7 percent.

Hourly compensation gains were larger than increases in the consumer price index, resulting in a sharp increase in real compensation per man-hour -- 6.8 percent in contrast to 1.0 percent in the fourth quarter. The increase from 1st quarter 1971 to 1st quarter 1972 was 3.1 percent.

Because the increases in hourly compensation exceeded the productivity gain, unit labor costs rose moderately at a 3.2 percent annual rate. In contrast, unit nonlabor costs (such as capital consumption allowances, net interest, and indirect business taxes) declined by 2.8 percent, as these relatively fixed charges were spread over a larger production base.

Total unit costs (labor and nonlabor costs combined) increased slightly as the decrease in nonlabor costs offset a good part of the rise in unit labor costs. Profits per unit of output rose at an annual rate of 20.4 percent, after showing virtually no change in the 4th quarter of 1971. Over the four quarters beginning with the first quarter of 1971, unit profits rose 4.2 percent. Typically, in periods of rapid economic

expansion, profit margins begin to widen as productivity increases more rapidly. This increase brought unit profits to about the same level as in 1969.

The implicit price deflator, which reflects changes in unit labor costs, unit nonlabor costs and unit profits, increased at a 3.5 percent annual rate, compared to a slight decline in the fourth quarter. Compared to the 1st quarter of 1971, the price deflator for nonfinancial corporations rose by 2.2 percent.

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

Year and quarter	Output per man-hour	Output	Man-hours	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>
1971								
1st...	106.9	108.3	101.3	129.8	108.6	121.4	110.4	117.1
2nd...	107.4	109.3	101.7	131.7	109.0	122.6	111.7	118.4
3rd...	108.5	110.0	101.4	133.7	109.6	123.3	112.6	119.1
4th...	109.3	111.7	102.2	135.1	110.1	123.6	113.0	119.5
Annual Ave.	108.1	109.8	101.7	132.6	109.3	122.7	111.9	118.5
1972								
1st...	109.9	113.3 r	103.1 r	137.9	111.5	125.5	113.8 r	120.9 r
<u>Percent Change Over Previous Quarter at Annual Rate <u>5/</u></u>								
1971								
1st...	6.2	8.5	2.1	8.5	5.1	2.1	8.7	4.4
2nd...	1.9	3.6	1.7	6.2	1.7	4.1	4.6	4.3
3rd...	4.0	2.7	- 1.2	6.2	2.1	2.2	3.3	2.5
4th...	3.2	6.3	3.0	4.2	1.9	1.0	1.4	1.2
Annual Ave. ^{6/}	3.6	2.9	- 0.7	6.9	2.6	3.2	6.3	4.3
1972								
1st...	2.3 r	5.9 r	3.6 r	8.6	5.1 r	6.2 r	3.1 r	5.1 r
<u>Percent Change Over Previous Year <u>7/</u></u>								
1971								
1st...	3.8	1.5	- 2.3	7.1	2.1	3.2	8.1	4.9
2nd...	3.6	2.2	- 1.3	7.5	3.0	3.8	7.0	5.0
3rd...	3.0	2.5	- 0.5	6.7	2.4	3.6	5.8	4.4
4th...	3.8	5.2	1.4	6.2	2.7	2.3	4.5	3.1
1972								
1st...	2.8	4.6 r	1.7	6.3	2.7 r	3.4	3.1 r	3.3

See footnotes at end of table 4 .

r = revised
p = preliminary

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

Year and quarter	Output per man-hour	Output	Man-hours	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>
1971								
1st...	105.8	108.5	102.5	128.4	107.4	121.3	110.9	117.4
2nd...	106.5	109.5	102.8	130.4	108.0	122.4	112.2	118.6
3rd...	107.1	110.0	102.6	132.2	108.3	123.4	112.8	119.4
4th...	108.3	111.9	103.3	133.8	109.0	123.5	112.6	119.4
Annual Ave.	107.0	110.0	102.8	131.2	108.1	122.7	112.1	118.7
1972								
1st...	109.4 r	113.9 r	104.2 r	136.8	110.6 r	125.1	113.1 r	120.5 r
<u>Percent Change Over Previous Quarter at Annual Rate <u>5/</u></u>								
1971								
1st...	6.6	8.8	2.1	8.6	5.2	1.9	8.1	4.1
2nd...	2.7	3.7	1.0	6.6	2.1	3.8	4.6	4.1
3rd...	2.3	1.8	- 0.5	5.4	1.3	3.0	2.4	2.8
4th...	4.5	7.2	2.6	5.0	2.7	0.5	- 0.9	- 0.1
Annual Ave ^{6/}	3.4	2.7	- 0.7	6.9	2.5	3.4	6.6	4.5
1972								
1st...	3.9 r	7.4 r	3.4 r	9.4 r	5.7	5.3	1.7 r	4.0 r
<u>Percent Change Over Previous Year <u>7/</u></u>								
1971								
1st...	3.7	1.3	- 2.3	7.3	2.2	3.5	9.5	5.5
2nd...	3.3	2.1	- 1.2	7.3	2.8	3.9	7.8	5.3
3rd...	2.5	2.0	- 0.4	6.5	2.2	4.0	5.8	4.6
4th...	4.0	5.3	1.3	6.4	2.8	2.3	3.5	2.7
1972								
1st...	3.4 r	5.0 r	1.6 r	6.6	3.0 r	3.1	1.9 r	2.7

r = revised
p = preliminary

See footnotes at end of table 4.

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

Year and quarter	Output per man-hour	Output <u>8/</u>	Man-hours	Compensation per man-hour <u>1/</u>	Real Compensation per man-hour <u>2/</u>	Unit labor costs
1971						
1st...	110.1	104.2	94.6	127.2	106.5	115.6
2nd...	111.9	106.0	94.7	128.6	106.4	114.9
3rd...	112.2	105.3	93.9	129.9	106.5	115.8
4th...	112.4	106.3	94.6	131.1	106.8	116.6
Annual Ave.	111.5	105.3	94.4	129.1	106.5	115.8
1972						
1st...	113.4 r	108.3 r	95.5	134.2 r	108.5 r	118.4 r
<u>Percent Change Over Previous Quarter at Annual Rate <u>5/</u></u>						
1971						
1st...	8.5	11.5	2.8	8.4	5.2	- 0.0
2nd...	6.7	7.1	0.4	4.2	- 0.3	- 2.4
3rd...	1.0	- 2.6	- 3.6	4.2	0.2	3.1
4th...	0.8	3.9	3.1	3.8	1.4	3.0
Annual Ave. <u>6/</u>	3.5	- 0.4	- 3.7	6.2	1.8	2.6
1972						
1st...	3.5 r	7.7 r	4.1 r	9.9 r	6.4 r	6.2 r
<u>Percent Change Over Previous Year <u>7/</u></u>						
1971						
1st...	4.0	- 3.1	- 6.8	7.5	2.4	3.3
2nd...	3.6	- 1.2	- 4.6	6.9	2.4	3.2
3rd...	2.7	- 1.1	- 3.8	5.6	1.3	2.8
4th...	4.2	4.8	0.6	5.1	1.6	0.9
1972						
1st...	3.0 r	3.9 r	0.9	5.5 r	1.9 r	2.4 r

See footnotes at end of table 4 .

r = revised
p = preliminary

Table 4. Nonfinancial Corporations: Output per Man-Hour, Hourly Compensation, Unit Costs, Unit Profits and Prices, Seasonally Adjusted (Indexes 1967 = 100)

Year and Quarter	Output per man-hour	Output	Man-hours	Compensation per man-hour <u>1/</u>	Real compensation per man-hour <u>2/</u>	Unit labor cost	Unit non-labor costs <u>9/</u>	Unit Profits <u>10/</u>	Implicit price deflator
1971									
1st...	110.0	110.5	100.5	128.0	107.1	116.4	126.4	83.5	113.5
2nd...	111.0	111.6	100.5	130.1	107.7	117.1	127.3	85.7	114.5
3rd...	112.3	111.9	99.6	132.1	108.3	117.7	130.5	83.1	115.1
4th...	113.6	114.3	100.6	133.2	108.6	117.3	131.2	83.1r	115.0
Annual Ave.	111.6 r	112.1	100.4	130.7	107.8	117.1	128.7	83.7r	114.5
1972									
1st...	115.5 p	117.6 p	101.8 p	136.6 p	110.4 p	118.2 p	130.3 p	87.0 p	116.0 p
<u>Percent Change Over Previous Quarter at Annual Rate <u>5/</u></u>									
1971									
1st...	10.9	14.8	3.5	7.5	4.1	- 3.1	- 2.5	81.9	3.6
2nd...	3.7	4.0	0.3	6.5	2.3	2.7	2.6	11.0	3.6
3rd...	4.6	0.8	- 3.6	6.6	2.2	2.0	10.5	-11.8	2.2
4th...	4.7r	9.0r	4.1	3.3	1.0	- 1.3r	2.3	- 0.1r	- 0.3
Annual Ave.	4.6r	2.9	- 1.7	7.0	2.6	2.2	6.0	11.4r	4.0
1972									
1st...	7.0 p	12.0 p	4.6 p	10.4 p	6.8 p	3.2 p	- 2.8 p	20.4 p	3.5 p
<u>Percent Change Over Previous Year <u>7/</u></u>									
1971									
1st...	4.6	0.7	- 3.7	7.8	2.8	3.1	8.2	11.5	5.1
2nd...	4.2	1.8	- 2.3	7.7	3.3	3.3	6.5	11.2	4.9
3rd...	4.2	2.1	- 2.0	6.8	2.4	2.5	6.9	8.5	4.2
4th...	5.9r	7.0r	1.0	6.0	2.4	0.0	3.1	15.5r	2.3
1972									
1st...	5.0 p	6.4 p	1.3 p	6.7 p	3.1 p	1.6 p	3.1 p	4.2 p	2.2 p

See footnotes at end of table 4.

r = revised p = preliminary

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.

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 Bureau of Economic Analysis, U. S. Department of Commerce.

9/ Unit nonlabor costs include depreciation, interest and indirect taxes.

10/ Unit profits include corporate profits and inventory valuation adjustment.

CHART 1 PRODUCTIVITY, HOURLY
 COMPENSATION, UNIT COSTS AND
 PRICES--NONFINANCIAL CORPORATIONS
 (PERCENT CHANGE FROM SAME
 QUARTER A YEAR AGO)

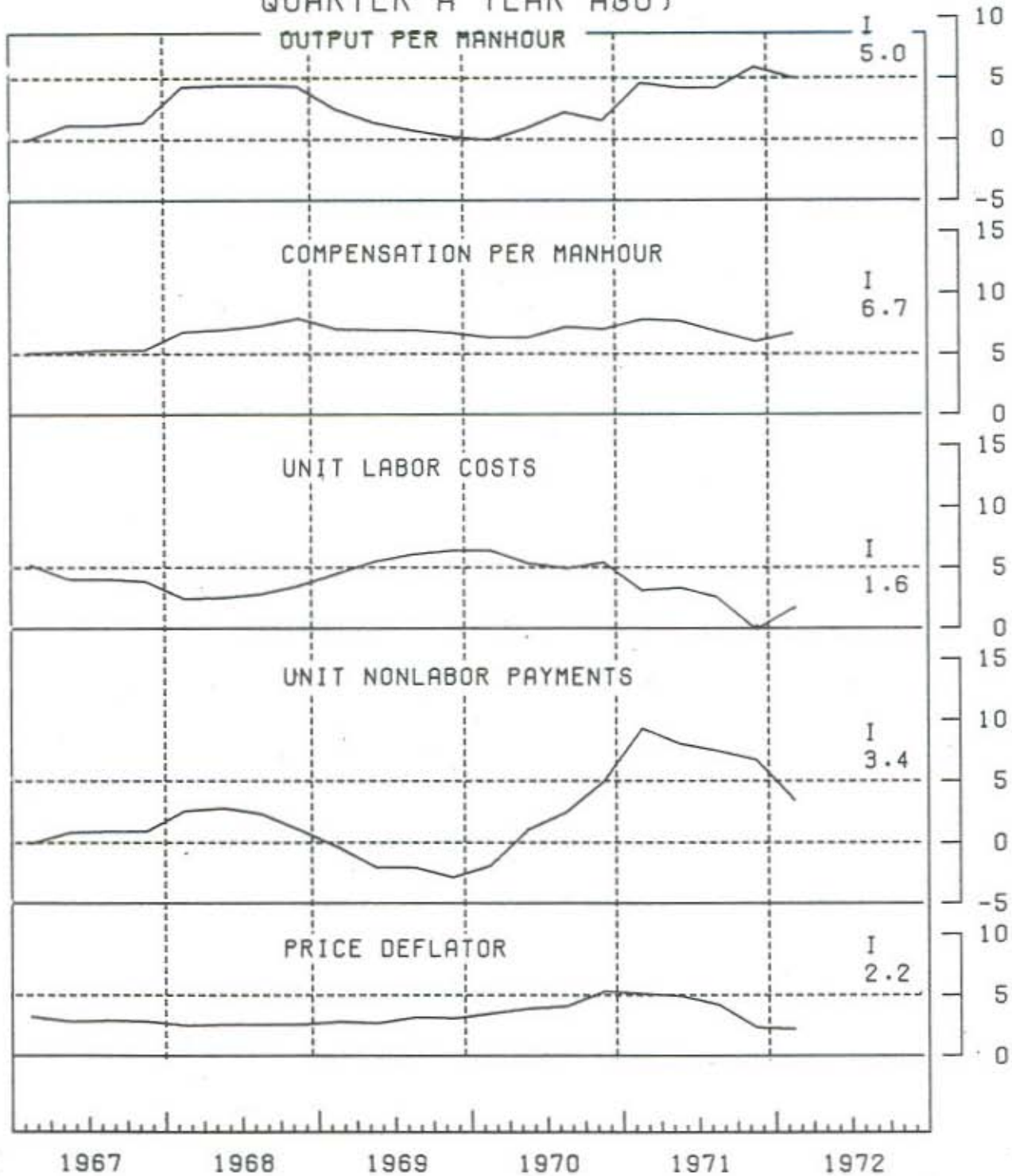


CHART 2. UNIT COSTS, UNIT PROFITS AND PRICES--NONFINANCIAL CORPORATIONS
(PERCENT CHANGE FROM SAME QUARTER A YEAR AGO)

