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Productivity and Costs

Second Quarter 1972

Productivity rose at a rapid rate in the second quarter of 1972, the U.S. Department of Labor's Bureau of Labor Statistics announced today. In the private sector the increase was 6.0 percent (at an annual rate), in the nonfarm sector the rise was 5.0 percent, and in manufacturing it was 3.7 percent.

The increase for the private sector reflected a sharp increase of 9.7 percent in output and a sizeable 3.5 percent increase in man-hours. Over the 4 quarter period ending with the second quarter of 1972, the rates of change were 4.3 percent for the private economy, 4.4 percent for the private nonfarm sector, and 2.6 percent in manufacturing.

Recent changes in productivity, hourly compensation, and unit labor costs at annual rates are summarized below.

PERCENT CHANGE AT ANNUAL RATE (SEASONALLY ADJUSTED)

	1st quarter 1972 to 2nd quarter 1972	2nd quarter 1971 to 2nd quarter 1972
<u>Total Private</u>		
Output per man-hour	6.0	4.3
Compensation per man-hour	5.6	6.4
Unit labor costs	- 0.4	2.1
Real compensation per man-hour	2.4	3.1
<u>Private Nonfarm</u>		
Output per man-hour	5.0	4.4
Compensation per man-hour	4.7	6.2
Unit labor costs	- 0.2	1.7
Real compensation per man-hour	1.6	2.9
<u>Manufacturing</u>		
Output per man-hour	3.7	2.6
Compensation per man-hour	4.8	5.9
Unit labor costs	1.1	3.2
Real compensation per man-hour	1.5	2.6

BLS also issued revised figures for the private, private nonfarm, nonfinancial corporate, and manufacturing sectors for the period 1969 through the first quarter of 1972. These data showed, in most cases, slightly larger increases in productivity than were previously reported, reflecting the recent revisions of the Gross National Product (GNP) and manufacturing production index. See appendix tables 5-7.

The acceleration in output per man-hour in the private sector from 3.3 percent in the first quarter of 1972 to 6.0 percent in the second quarter was due to the increase in the rate of growth of output from 7.0 percent to 9.7 percent, since the rate of increase in man-hours was about the same, 3-1/2 percent in both quarters.

While output in the nonfarm sector also accelerated, from 8.1 percent in the first quarter of 1972 to 10.0 percent in the second quarter, the rate of increase of man-hours also rose from a 3.5 percent annual rate to 4.8 percent. The acceleration of man-hours in the nonfarm sector reflects mainly increases in the average

workweek. In both the first and second quarters, employment rose at the same rate, about 3.5 percent. The net effect was a more moderate increase in output per man-hour than in the private economy. In the nonfarm sector, productivity rose by 5.0 percent in the second quarter, up from 4.5 percent in the first.

Output per man-hour in the manufacturing sector rose by 3.7 percent in the second quarter. This rate of increase was about the same as in the previous quarter. Just as in the private sector, output accelerated over the quarter -- 11.3 percent compared with a first quarter increase of over 8 percent. Man-hours, however, also advanced rapidly. In the second quarter, they rose by more than 7 percent, whereas in the first quarter, they rose by 4 percent. Therefore, productivity growth in the second quarter in manufacturing was much lower than in either the private or nonfarm sectors. Between the second quarter of 1971 and second quarter of 1972, output per man-hour in manufacturing rose by 2.6 percent.

During the quarter, hourly compensation in the private sector increased 5.6 percent, which was considerably smaller than the 8.1 percent gain which occurred in the first quarter. The sharp first quarter increase reflected the expected bulge following the Phase I freeze period. Compared with the second quarter of 1971, hourly compensation rose 6.4 percent in the private economy.

In the nonfarm sector, the deceleration was also marked, to 4.7 percent from a rate of 8.7 percent in the first quarter. In manufacturing, the rate of gain in hourly compensation slowed to 4.8 percent from a first quarter rate of 10.4 percent.

Real hourly compensation in the private economy continued to increase in the second quarter, as hourly compensation gains were larger than increases in the Consumer Price Index (CPI). The gain of 2.4 percent was somewhat less than the sharp increase which occurred during the first quarter. The rates of increase in the CPI were about the same in both quarters so that the differences in the gains in real hourly compensation largely reflected the pattern of increases of hourly compensation.

Over the corresponding quarter of a year ago, the gain in real hourly compensation was 3.1 percent in the private economy, 2.9 percent in the nonfarm sector, and 2.6 percent in manufacturing.

As the result of the acceleration in productivity gains and the moderation in hourly compensation increases, unit labor costs in the private economy actually declined -- by 0.4 percent. This was in sharp contrast to the first quarter when the increase was 4.7 percent. For the year ending with the second quarter of 1972, unit labor costs increased at a 2.1 percent rate.

Unit nonlabor payments (which include capital consumption allowances, net interest, indirect business taxes and profits) increased at an annual rate of over 6 percent, compared with 3.5 percent last quarter.

During the second quarter, prices as measured by the implicit price deflator, which reflects changes in unit labor costs, unit profits, and other non-labor costs, rose by 2.0 percent in the private sector and 1.7 percent in the nonfarm sector. These increases were substantially smaller than those which occurred in the first quarter. The sharp first quarter increase reflected the post-Phase I bulge, as the price-rent-wage freeze was lifted.

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...	107.3	108.7	101.3	130.1	108.8	121.2	110.3	117.0
2nd...	107.8	109.7	101.7	132.0	109.3	122.4	111.6	118.2
3rd...	108.8	110.4	101.4	134.1	109.9	123.2	112.5	119.0
4th...	109.9	112.3	102.2	135.9	110.8	123.6	112.6	119.3
Annual Ave.	108.5	110.3	101.7	133.0	109.6	122.6	111.8	118.4
1972								
1st...	110.8	114.3	103.1	138.6	112.0	125.1	113.5	120.6
2nd...	112.5p	117.0p	104.0p	140.5p	112.7p	124.9p	115.2p	121.2p
<u>Percent Change Over Previous Quarter at Annual Rate <u>5/</u></u>								
1971								
1st...	6.5	8.7	2.1	7.7	4.3	1.1	11.3	4.7
2nd...	2.0	3.7	1.7	6.1	1.6	4.0	4.9	4.3
3rd...	3.8	2.5	- 1.2	6.4	2.3	2.5	3.2	2.8
4th...	4.1	7.2	3.0	5.6	3.3	1.5	0.2	1.0
Annual Ave. <u>6/</u>	3.7	3.0	- 0.7	6.9	2.5	3.0	6.5	4.3
1972								
1st...	3.3	7.0	3.6	8.1	4.6	4.7	3.5	4.2
2nd...	6.0p	9.7p	3.5p	5.6p	2.4p	- 0.4p	6.1p	2.0p
<u>Percent Change Over Previous Year <u>7/</u></u>								
1971								
1st...	4.2	1.8	- 2.3	7.1	2.1	2.8	8.0	4.7
2nd...	3.7	2.3	- 1.3	7.2	2.7	3.4	7.2	4.8
3rd...	2.9	2.3	- 0.5	6.4	2.1	3.4	6.4	4.5
4th...	4.1	5.5	1.4	6.4	2.9	2.3	4.8	3.2
1972								
1st...	3.3	5.1	1.8	6.6	2.9	3.2	2.9	3.1
2nd...	4.3p	6.6p	2.2p	6.4p	3.1p	2.1p	3.2p	2.5p

See footnotes at end of table 4.

P = preliminary

NOTE: Data have been revised to reflect new benchmarks. Revisions of earlier data are shown on Appendix Table 5.

Table 2. Private Nonfarm Sector:  
Cost, and Prices, Seas

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...	106.1	108.7	102.5	128.4	107.5	121.1	110.6	117.1
2nd...	106.9	109.8	102.8	130.7	108.2	122.3	111.7	118.3
3rd...	107.6	110.5	102.6	132.5	108.6	123.1	112.5	119.1
4th...	109.1	112.7	103.3	134.4	109.6	123.3	112.3	119.1
Annual Ave.	107.4	110.4	102.8	131.5	108.4	122.4	111.8	118.4
1972								
1st...	110.3	114.9	104.2	137.3	110.9	124.5	113.1	120.2
2nd...	111.6p	117.7p	105.4p	138.9p	111.4p	124.4p	114.7p	120.7p
<u>Percent Change Over Previous Quarter at Annual Rate <u>5/</u></u>								
1971								
1st...	6.4	8.6	2.1	7.8	4.4	1.3	10.5	4.5
2nd...	3.1	4.1	1.0	7.2	2.7	4.0	4.0	4.0
3rd...	2.9	2.4	- 0.5	5.6	1.5	2.7	2.7	2.7
4th...	5.4	8.1	2.6	6.0	3.6	0.5	- 0.6	0.1
Annual Ave. <u>6/</u>	3.7	3.0	- 0.7	6.9	2.5	3.1	6.6	4.3
1972								
1st...	4.5	8.1	3.5	8.7	5.1	4.0	3.0	3.7
2nd...	5.0p	10.0p	4.8p	4.7p	1.6p	- 0.2p	5.6p	1.8p
<u>Percent Change Over Previous Year <u>7/</u></u>								
1971								
1st...	4.0	1.6	- 2.3	7.2	2.1	3.1	8.8	5.1
2nd...	3.5	2.3	- 1.2	7.2	2.7	3.5	7.3	4.9
3rd...	2.6	2.2	- 0.4	6.4	2.0	3.7	6.3	4.6
4th...	4.4	5.8	1.3	6.7	3.1	2.1	4.1	2.8
1972								
1st...	4.0	5.6	1.6	6.9	3.2	2.8	2.3	2.6
2nd...	4.4p	7.1p	2.6p	6.2p	2.9p	1.7p	2.6p	2.1p

See footnotes at end of table 4.  
p = preliminary

NOTE: Data have been revised to reflect new benchmarks.  
Revisions of earlier data are shown on Appendix  
Table 5.

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...	112.3	106.3	94.6	127.9	107.0	113.8
2nd...	114.2	108.2	94.7	129.4	107.1	113.3
3rd...	115.0	107.9	93.9	130.7	107.1	113.7
4th...	114.9	108.7	94.6	132.0	107.6	114.9
Annual Ave.	114.1	107.8	94.4	130.0	107.1	113.9
1972						
1st...	116.1	110.9	95.5	135.4	109.4	116.6
2nd...	117.1p	113.9p	97.2p	137.0p	109.8p	116.9p
<u>Percent Change Over Previous Quarter at Annual Rate <u>5/</u></u>						
1971						
1st...	13.4	16.6	2.8	8.8	5.6	- 4.0
2nd...	6.9	7.3	0.4	4.8	0.4	- 2.0
3rd...	2.6	- 1.1	- 3.6	4.2	0.2	1.5
4th...	- 0.1	3.0	3.1	4.2	1.8	4.2
Annual Ave. <u>6/</u>	5.6	1.7	- 3.7	6.5	2.1	0.9
1972						
1st...	4.0	8.3	4.1	10.4	6.9	6.2
2nd...	3.7p	11.3p	7.3p	4.8p	1.5p	1.1p
<u>Percent Change Over Previous Year <u>7/</u></u>						
1971						
1st...	6.0	- 1.2	- 6.8	8.0	2.9	1.9
2nd...	5.5	0.7	- 4.6	6.9	2.4	1.3
3rd...	5.0	1.0	- 3.8	5.6	1.2	0.6
4th...	5.6	6.3	0.6	5.5	2.0	- 0.1
1972						
1st...	3.3	4.3	0.9	5.9	2.3	2.4
2nd...	2.6p	5.3 p	2.6 p	5.9 p	2.6 p	3.2 p

See footnotes at end of table 4.  
p = preliminary

NOTE: Data have been revised to reflect new benchmarks. Revisions of earlier data are shown on Appendix Table 5.

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...	110.2	110.7	100.5	128.8	107.8	116.9	124.7	76.6	112.4
2nd...	111.3	111.9	100.5	130.9	108.4	117.6	125.7	78.8	113.4
3rd...	112.9	112.5	99.6	133.3	109.2	118.0	128.2	76.9	113.9
4th...	113.9	114.6	100.6	134.7	109.8	118.2	129.4	74.5	113.9
Annual Ave.	112.0	112.5	100.4	131.8	108.7	117.7	126.9	76.6	113.4
1972									
1st...	115.7	117.8	101.8	137.9	111.4	119.1	128.0	78.1	114.8
<u>Percent Change Over Previous Quarter at Annual Rate <u>5/</u></u>									
1971									
1st...	9.0	12.8	3.5	6.6	3.2	- 2.2	- 1.5	82.3	4.0
2nd...	4.2	4.5	0.3	6.8	2.6	2.5	3.2	11.9	3.6
3rd...	5.7	1.9	- 3.6	7.4	2.9	1.6	8.3	- 9.2	1.9
4th...	3.6	7.9	4.1	4.3	1.9	0.6	3.6	-11.8	0.0
Annual Ave.	4.4	2.7	- 1.7	7.0	2.6	2.5	5.3	7.8	3.6
1972									
1st...	6.5	11.5	4.6	9.8	6.2	3.0	- 4.4	20.8	2.9
<u>Percent Change Over Previous Year <u>7/</u></u>									
1971									
1st...	4.4	0.6	- 3.7	7.9	2.8	3.3	6.7	6.6	4.4
2nd...	4.1	1.7	- 2.3	7.5	3.1	3.3	5.7	6.3	4.2
3rd...	3.9	1.8	- 2.0	6.7	2.4	2.8	6.6	6.0	4.0
4th...	5.6	6.7	1.0	6.2	2.7	0.6	3.3	13.0	2.4
1972									
1st...	5.0	6.4	1.3	7.1	3.4	1.9	2.6	2.0	2.1

See footnotes at end of table 4.  
p = preliminary

NOTE: Data have been revised to reflect new benchmarks. Revisions of earlier data are shown on Appendix Table 6.

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.

Appendix Table 5.  
Revised Indexes of Output per Man-hour, Hourly Compensation  
and Unit Labor Costs, 1969-70 (Indexes 1967=100)

Seasonally Adjusted								
Year and Quarter	Output per man-hour	Output	Man- hours	Compen- sation per man- hour <u>1/</u>	Real Compen- sation per man- hour <u>2/</u>	Unit labor cost	Unit non-labor pay- mens <u>3/</u>	Implicit price defla- tor <u>4/</u>
<u>Total Private</u>								
1969								
1st.....	103.7	107.3	103.4	112.5	104.9	108.5	102.6	106.2
2nd.....	103.4	107.7	104.2	114.5	104.9	110.7	102.8	107.6
3rd.....	103.6	108.2	104.5	116.7	105.5	112.7	103.0	108.9
4th.....	103.3	107.5	104.0	119.5	106.5	115.6	102.1	110.4
Annual Ave.	103.5	107.7	104.0	115.8	105.5	111.9	102.6	108.3
1970								
1st.....	103.0	106.8	103.7	121.5	106.6	117.9	102.1	111.8
2nd.....	104.0	107.3	103.1	123.1	106.4	118.3	104.2	112.8
3rd.....	105.8	107.9	102.0	126.0	107.6	119.1	105.7	113.9
4th.....	105.6	106.5	100.8	127.7	107.7	120.9	107.4	115.6
Annual Ave.	104.6	107.1	102.4	124.5	107.0	119.0	104.9	113.5
<u>Private Nonfarm</u>								
1969								
1st.....	103.2	107.4	104.0	111.9	104.2	108.3	102.6	106.2
2nd.....	103.0	108.1	104.9	113.7	104.2	110.4	102.6	107.4
3rd.....	103.0	108.5	105.4	115.6	104.5	112.3	103.0	108.8
4th.....	102.5	107.9	105.2	118.0	105.2	115.1	101.8	110.1
Annual Ave.	102.9	108.0	104.9	114.8	104.5	111.6	102.5	108.1
1970								
1st.....	102.0	107.0	104.9	119.9	105.2	117.5	101.6	111.5
2nd.....	103.2	107.3	104.0	121.9	105.3	118.1	104.1	112.8
3rd.....	104.9	108.1	103.1	124.5	106.4	118.7	105.8	113.9
4th.....	104.4	106.5	102.0	126.1	106.3	120.7	107.9	115.9
Annual Ave.	103.6	107.2	103.5	123.1	105.8	118.8	104.9	113.5
<u>Manufacturing <u>8/</u></u>								
1969								
1st.....	106.8	110.1	103.0	111.4	103.8	104.3	n.a.	n.a.
2nd.....	106.9	111.1	104.0	113.0	103.5	105.7	n.a.	n.a.
3rd.....	108.2	112.5	104.0	115.2	104.1	106.5	n.a.	n.a.
4th.....	107.3	110.7	103.2	116.7	104.0	108.8	n.a.	n.a.
Annual Ave.	107.5	111.3	103.6	114.1	103.9	106.2	n.a.	n.a.
1970								
1st.....	106.0	107.6	101.5	118.4	104.0	111.7	n.a.	n.a.
2nd.....	108.3	107.5	99.3	121.0	104.6	111.8	n.a.	n.a.
3rd.....	109.5	106.8	97.5	123.8	105.8	113.1	n.a.	n.a.
4th.....	108.8	102.3	94.0	125.2	105.6	115.0	n.a.	n.a.
Annual Ave.	108.1	106.0	98.1	122.1	104.9	112.9	n.a.	n.a.

See footnotes at end of table 4. n.a. = not available

Appendix Table 6.  
Revised Indexes of Output per Man-hour, Hourly Compensation  
and Unit Labor Costs, 1969-70 (Indexes 1967=100)

Seasonally Adjusted

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>3/</u>	Unit Profits <u>10/</u>	Implicit price deflator
<u>Nonfinancial Corporations</u>									
1969									
1st.....	105.8	109.8	103.8	111.9	104.3	105.8	106.7	93.3	104.1
2nd.....	106.4	111.4	104.7	113.8	104.3	107.0	108.7	90.9	104.9
3rd.....	106.7	112.1	105.1	115.8	104.6	108.6	110.9	85.8	105.6
4th.....	106.4	111.5	104.8	118.1	105.3	111.0	113.7	77.7	106.5
Annual Ave.	106.3	111.2	104.6	114.9	104.7	108.1	109.9	86.9	105.3
1970									
1st.....	105.5	110.1	104.3	119.4	104.8	113.2	116.9	71.9	107.7
2nd.....	107.0	110.1	102.9	121.8	105.2	113.8	118.9	74.1	108.9
3rd.....	108.7	110.5	101.6	124.9	106.7	114.9	120.3	72.6	109.6
4th.....	107.9	107.4	99.6	126.8	106.9	117.5	125.2	65.9	111.3
Annual Ave.	107.3	109.5	102.1	123.2	105.9	114.8	120.6	71.1	109.4

See footnotes at end of table 4.

Appendix Table 7.

Summary of Revisions in Productivity and  
Costs, 1969-71Percent Change From Previous Year

	<u>Output per man-hour</u>			<u>Compensation per man-hour</u>			<u>Unit labor costs</u>			<u>Unit non-labor payments</u>			<u>Implicit price deflator</u>		
	1972 revis- ion	Prev- ious	Differ- ence	1972 revis- ion	Prev- ious	Differ- ence	1972 revis- ion	Prev- ious	Differ- ence	1972 revis- ion	Prev- ious	Differ- ence	1972 revis- ion	Prev- ious	Differ- ence
<b>Private</b>															
1969 ..	0.6	0.5	0.1	7.6	7.5	0.1	7.0	7.0	0.0	0.6	0.5	0.1	4.5	4.5	0.0
1970 ..	1.1	0.9	0.2	7.5	7.2	0.3	6.4	6.3	0.1	2.2	2.6	-0.4	4.8	4.9	-0.1
1971 ..	3.7	3.6	0.1	6.9	6.9	0.0	3.0	3.2	-0.2	6.5	6.3	0.2	4.3	4.3	0.0
<b>Private Nonfarm</b>															
1969 ..	0.0	-0.1	0.1	7.0	6.9	0.1	7.0	7.1	-0.1	0.2	0.0	0.2	4.5	4.4	0.1
1970 ..	0.7	0.7	0.0	7.2	7.0	0.2	6.5	6.3	0.2	2.3	2.8	-0.5	5.0	5.0	0.0
1971 ..	3.7	3.4	0.3	6.9	6.9	0.0	3.1	3.4	-0.3	6.6	6.6	0.0	4.3	4.5	-0.2
<b>Nonfin. Corp's.</b>															
1969 ..	1.9	1.1	0.8	7.2	6.9	0.3	5.2	5.7	-0.5	-1.8	-1.8	0.0	2.7	3.0	-0.3
1970 ..	0.9	1.1	-0.2	7.2	6.7	0.5	6.2	5.5	0.7	-0.4	1.7	-1.1	4.0	4.2	-0.2
1971 ..	4.4	4.6	-0.2	7.0	7.0	0.0	2.5	2.2	0.3	6.0	7.7	-1.7	3.6	4.0	-0.4
<b>Manuf.</b>															
1969 ..	2.6	1.4	1.2	6.5	6.4	0.1	3.8	5.0	-1.2						
1970 ..	0.6	1.5	-0.9	7.0	6.6	0.4	6.3	5.0	1.3						
1971 ..	5.6	3.5	2.1	6.5	6.2	0.3	0.9	2.6	-1.7						