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Productivity and Costs in Nonfinancial Corporations  
(and Revised Figures for the Private Economy)

Second Quarter 1972

Productivity in the nonfinancial corporate sector rose at an annual rate of 6.1 percent in the second quarter of 1972 as output continued to increase sharply, the U.S. Department of Labor's Bureau of Labor Statistics announced today. The second quarter gain reflected a 12.0 percent rise in output associated with a 5.5 percent increase in man-hours. The gain in output per man-hour exceeded the increase in hourly compensation and unit labor costs fell for the second time in seven years.

Revised figures on output per man-hour in the manufacturing sector, also issued today, indicated a gain of 5.2 percent rather than the 3.7 percent increase previously reported, as a result of a large revision of the manufacturing production index. BLS noted that the recent upward revisions in the estimates of gross national product did not alter previously issued figures for productivity growth in the private economy and the nonfarm sector, because estimates of man-hours were also revised upward.

A summary of 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)

	1st Quarter 1972 to 2nd Quarter 1972	2nd Quarter 1971 to 2nd Quarter 1972
<u>Nonfinancial Corporations</u> (preliminary)		
Output per man-hour	6.1	5.5
Compensation per man-hour	4.6	6.5
Unit labor costs	- 1.4	1.0
Real compensation per man-hour	1.5	3.1
<u>Total Private</u> (revised)		
Output per man-hour	6.0	4.3
Compensation per man-hour	5.4	6.4
Unit labor costs	- 0.6	2.0
Real compensation per man-hour	2.2	3.1
<u>Private Nonfarm</u> (revised)		
Output per man-hour	5.0	4.4
Compensation per man-hour	4.4	6.2
Unit labor costs	- 0.5	1.7
Real compensation per man-hour	1.3	2.9
<u>Manufacturing</u> (revised)		
Output per man-hour	5.2	3.1
Compensation per man-hour	4.3	5.7
Unit labor costs	- 0.9	2.5
Real compensation per man-hour	1.0	2.4

The productivity increase for nonfinancial corporations over the four-quarter period -- 1971 II to 1972 II -- was 5.5 percent. Comparable four-quarter increases were 4.3 percent for the private economy, 4.4 percent for the nonfarm sector, and 3.1 percent for manufacturing.

Hourly compensation in nonfinancial corporations rose at an annual rate of 4.6 percent in the second quarter, down considerably from the 9.8 percent increase registered in the first quarter. The increase in hourly compensation since the second quarter of 1971 was 6.5 percent.

Real compensation per man-hour (hourly compensation adjusted for changes in the consumer price index) in the corporate sector rose by 1.5 percent in the second quarter, and by 3.1 percent since the same quarter of 1971.

Unit labor costs in the corporate sector declined by 1.4 percent as the continued sharp productivity gain exceeded the more moderate gain in hourly compensation. This was only the second time since 1966 that unit labor costs were actually reduced. Unit nonlabor costs (such as capital consumption allowances, net interest, and indirect business taxes) increased by 2.1 percent, primarily because capital consumption allowances registered a larger gain in the second quarter than in the previous four quarters as a result of the extraordinary amount of accidental damage caused by floods. Total unit costs (labor and nonlabor costs combined) decreased slightly as the decrease in unit labor costs offset the rise in nonlabor costs.

Profits per unit of output increased at an annual rate of 17.8 percent in the second quarter. Over the four quarters beginning with the second quarter of 1971, unit profits rose 3.3 percent.

The implicit price deflator, which reflects changes in unit labor costs, unit nonlabor costs, and unit profits, increased at a 1.3 percent annual rate, compared to a 2.9 percent increase in the first quarter. From the second quarter of 1971, the price deflator for nonfinancial corporations rose by 1.5 percent. This was the smallest four-quarter increase since 1966.

The increase in the demand for labor in the corporate sector, as reflected in the rise in man-hours from 4.6 percent in the first quarter to 5.5 percent in the second, was based on both increases in employment and in the length of the workweek, whereas the first quarter increase in man-hours was almost entirely due to gains in

employment. The 8.3 percent man-hour rise in the manufacturing sector (which represents almost 50 percent of the nonfinancial corporate total) was particularly strong due both to a 5.5 percent rise in employment and a 3.0 percent increase in the average workweek. In both the fourth quarter of 1971 and the first quarter of this year, manufacturing employers adjusted the level of their workforce at a less rapid rate than the corporate sector as a whole. However, in the second quarter the rise in manufacturing employment accelerated to 5.5 percent, while employment growth in the total corporate sector slowed to 3.8 percent. (See table B.)

Table B. Percent Changes in Employment, Average Weekly Hours, and Man-hours (Percent Change Over Previous Quarter at Annual Rate)

		Man-hours		Employment		Average Weekly Hours	
		Nonfi- nancial Corpora- tions	Manu- fac- tur- ing	Nonfi- nancial Corpora- tions	Manu- fac- tur- ing	Nonfi- nancial Corpora- tions	Manu- fac- tur- ing
1971	IV	4.1	3.1	1.0	0.9	3.1	3.1
1972	I	4.6	4.1	4.3	2.5	0.3	1.0
1972	II	5.5	8.3	3.8	5.5	1.7	3.0

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...	112.5	117.1r	104.1r	140.4r	112.6r	124.9	115.2	121.1r
<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...	6.0	10.2r	4.0r	5.4r	2.2r	- 0.6r	5.9r	1.7r
<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...	4.3	6.7r	2.3r	6.4	3.1	2.0r	3.2	2.4r

See footnotes at end of table 4.

r = revised

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...	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...	111.6	117.8r	105.5r	138.8r	111.3r	124.3r	114.6r	120.6r
<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...	5.0	10.6r	5.3r	4.4r	1.3r	- 0.5r	5.4r	1.5r
<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...	4.4	7.3r	2.7r	6.2	2.9	1.7	2.6	2.0r

See footnotes at end of table 4.

r = revised

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...	116.3r	111.1r	95.5	135.4	109.4	116.4r
2nd...	117.8r	114.8r	97.5r	136.8r	109.7r	116.1r
<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...	4.8r	9.1r	4.1	10.4	6.9	5.4r
2nd...	5.2r	14.0r	8.3r	4.3r	1.0r	- 0.9r
<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...	3.5r	4.5r	0.9	5.9	2.3	2.3r
2nd...	3.1r	6.1r	2.9r	5.7r	2.4r	2.5r

See footnotes at end of table 4.

r = revised

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	127.9r	78.1	114.8
2nd...	117.5p	121.2p	103.2p	139.4p	111.8p	118.7p	128.6p	81.4p	115.1p
<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	3.1r	- 4.5r	20.9r	2.9
2nd...	6.1p	12.0p	5.5p	4.6p	1.5p	- 1.4p	2.1p	17.8p	1.3p
<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	2.0r	2.6	2.0	2.1
2nd...	5.5p	8.2p	2.6p	6.5p	3.1p	1.0p	2.3p	3.3p	1.5p

See footnotes at end of table 4.

p = preliminary r = revised

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/ 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)

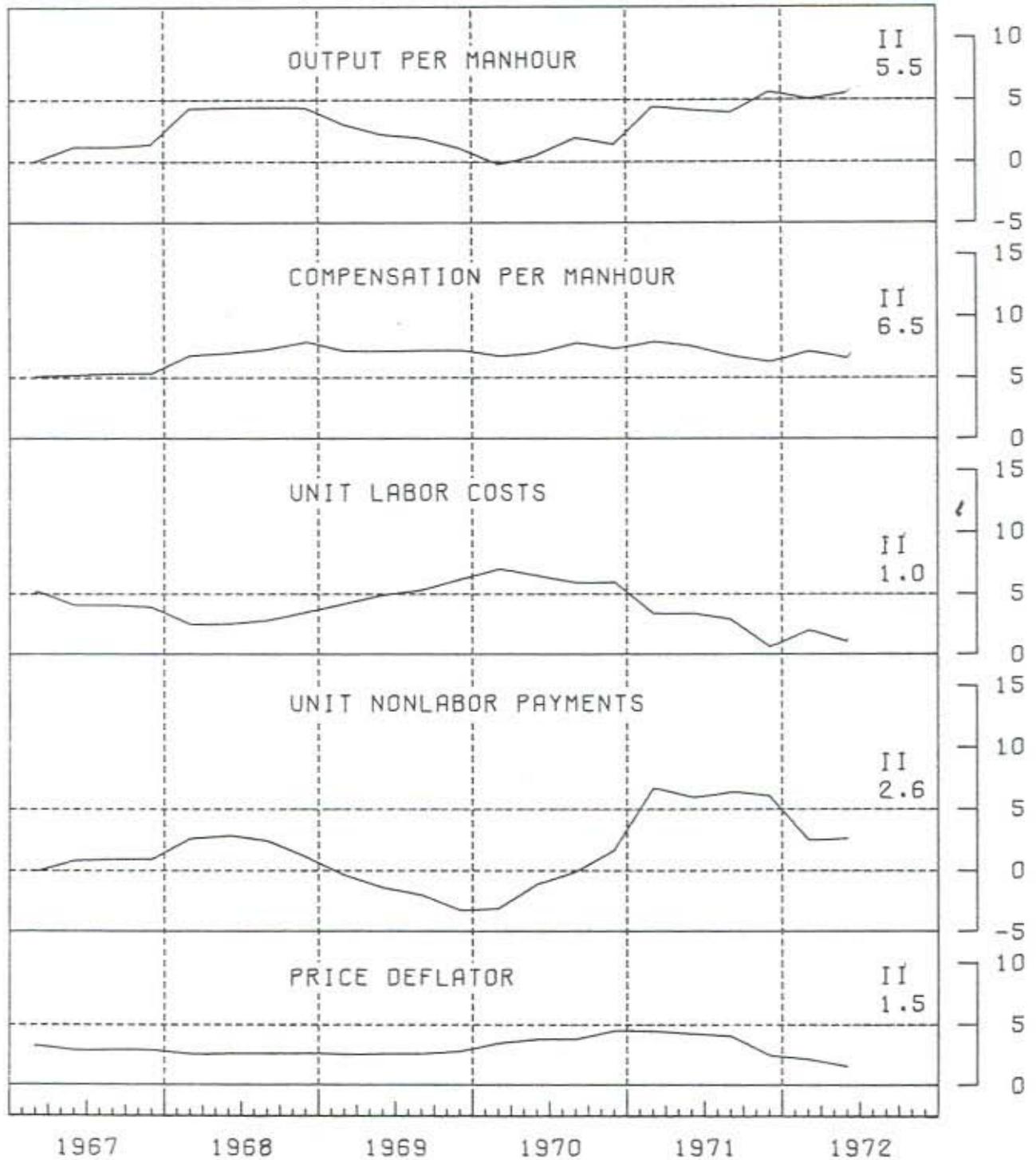


CHART 2. UNIT COSTS, UNIT PROFITS AND PRICES--NONFINANCIAL CORPORATIONS  
(PERCENT CHANGE FROM SAME QUARTER A YEAR AGO)

