

NEWS



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

USDL - 72-741
FOR RELEASE: 11:00 A.M., E.D.T.
Friday, October 27, 1972

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Productivity and Costs Third Quarter 1972

Productivity in the private economy rose at an annual rate of 3.7 percent in the third quarter of 1972, the U. S. Department of Labor's Bureau of Labor Statistics announced today. This increase was smaller than the 6.2 percent gain which occurred in the second quarter but was greater than the long-term growth rate of 3.0 percent over the last two decades.

In the nonfarm sector productivity accelerated, rising 6.2 percent during the third quarter, up from the 5.1 percent gain in the second quarter. However, agricultural output per man-hour dropped sharply.

Manufacturing productivity growth also experienced some deceleration, rising 3.3 percent after a second quarter gain of 6.6 percent.

Over the four quarter period ending with the third quarter of 1972, the rates of changes were 4.3 percent for the private economy, 5.3 percent for the private nonfarm sector, and 3.6 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)	
	Second Quarter 1972 to Third Quarter 1972	Third Quarter 1971 to Third Quarter 1972
	<u>Total Private</u>	
Output per man-hour	3.7	4.3
Compensation per man-hour	4.2	5.7
Unit labor costs	0.5	1.3
Real compensation per man-hour	0.5	2.6
	<u>Private Nonfarm</u>	
Output per man-hour	6.2	5.3
Compensation per man-hour	5.9	6.1
Unit labor costs	- 0.3	0.8
Real compensation per man-hour	2.2	2.9
	<u>Manufacturing</u>	
Output per man-hour	3.3	3.6
Compensation per man-hour	4.8	6.0
Unit labor costs	1.5	2.4
Real compensation per man-hour	1.2	2.8

BLS also issued revised figures for the private, private nonfarm, and manufacturing sectors for the period 1969 through the second quarter 1972. These data showed, in most cases, slightly smaller increases in productivity than were previously reported, reflecting recent revisions in employment and average weekly hours of employees on nonagricultural payrolls. See Appendix tables 4 and 5.

The slackening of growth in output per man-hour in the private sector was due mainly to the deceleration of output from a very high 10.2 percent annual rate in the second quarter to a 6.1 percent annual rate in the third quarter. The rate of increase in man-hours also declined but the difference was much smaller -- from 3.8 percent in the second quarter to 2.3 percent in the third quarter.

While there was also a slowdown in the rate of growth in output in the nonfarm sector -- from 10.6 percent in the second quarter to 7.1 percent in the third -- there was a much greater deceleration in the growth in man-hours -- from a 5.2 percent annual rate in the second quarter to a 0.9 percent rate in the third. Most of the fall off in the rate of increase in man-hours was due to decreases in the growth of employment, with the balance of the decline stemming from slight changes in the average workweek.

The fall off in the manufacturing productivity gain was due primarily to the slowdown in the growth of manufacturing output from a very high 14.8 percent in the second quarter to 4.6 percent in the third quarter.

During the quarter, hourly compensation in the private sector rose at an annual rate of 4.2 percent. This also represented some decline from the second quarter. On the other hand, in the nonfarm sector the rate of increase was 5.9 percent, up from

4.6 percent in the second quarter. In manufacturing, the gain was 4.8 percent, the same as it was in the second quarter. Compared with the third quarter in 1971, increases for the three sectors were 5.7 percent for the private economy, 6.1 percent for the nonfarm sector, and 6.0 percent in the manufacturing sector.

The gain in real compensation per man-hour in the private sector (hourly compensation adjusted for changes in the Consumer Price Index) slowed to a 0.5 percent annual rate in the third quarter, from a 2.4 percent annual rate in the previous quarter, as the increase in the rate of hourly compensation slowed and the CPI gained somewhat more rapidly. A slight deceleration occurred in manufacturing, down from 1.5 percent in the second quarter to 1.2 percent in the third quarter.

In the nonfarm sector, the situation was reversed. Real compensation per man-hour increased at a 2.2 percent rate -- up from 1.5 percent in the second quarter. In manufacturing, real hourly compensation rose 1.2 percent during the latest quarter, almost the same as the 1.5 percent increase in the second quarter.

For the year ending with the third quarter of 1973, real compensation per man-hour increased 2.6 percent in the private economy, 2.9 percent in the nonfarm sector, and 2.8 percent in manufacturing.

Unit labor costs in the private sector increased slightly during the quarter -- 0.5 percent -- compared with a slight decline of 0.6 percent during the second quarter. In the nonfarm sector, unit labor costs continued to decline slightly, down 0.3 percent, in line with the 0.5 percent decline in the second quarter. Because of the fall off of productivity gains with no change in the rate of increase in hourly compensation,

manufacturing unit labor costs increased at a 1.5 percent annual rate, after declining 1.6 percent in the second quarter. Over the corresponding quarter of a year ago, the increase in unit labor costs was 1.3 percent in the private sector, 0.8 percent in the nonfarm sector, and 2.4 percent in manufacturing.

Unit nonlabor payments in the private economy (which includes capital consumption allowances, net interest, indirect business taxes, and profits) increased at an annual rate of 4.6 percent, compared with 6.0 percent in the second quarter. A similar deceleration occurred in the nonfarm sector where the rate slowed to 3.6 percent in the third quarter, down from 5.2 percent in the second quarter.

During the third quarter, prices as measured by the implicit price deflator (which reflects changes in unit labor costs, unit profits, and other nonlabor costs) rose by 2.0 percent in the private sector -- up slightly from 1.7 percent in the second quarter. The rise in the nonfarm sector was 1.1 percent -- down slightly from a 1.5 percent increase in the second quarter. For the first time since 1965 (excluding the period of the wage, price, rent freeze), price increases over a 6 month period have been less than 2.0 percent in the private sector and 1.5 percent in the nonfarm sector.

Within the nonfarm sector, the slowdown in the demand for labor, as reflected in the change in man-hours, was widespread among the industry divisions, with the major exception of service industries. In manufacturing and trade, where employee man-hours account for 50 percent of the nonfarm total, the change was substantial. The decline registered by the "other" category was due largely to a sharp reduction in postal-service employment in July. (See Table B.)

Table B.
 Percent Change in Man-hours
 (Percent Change Over Previous Quarter at Annual Rate)

<u>Industry</u>	<u>1972 II</u>	<u>1972 III</u>
Private Nonfarm	5.2	0.9
Mining	- 8.8	8.2
Construction	- 2.8	2.8
Manufacturing	7.8	1.3
Transportation and Public Utilities	4.9	- 1.3
Trade	5.8	1.5
Finance, Insurance and Real Estate	4.2	2.3
Services	4.0	7.1
Others <u>1/</u>	5.1	- 6.8

1/ Includes government enterprises, private household, proprietors, and unpaid family workers.

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...	107.0	108.7	101.6	130.6	109.2	122.0	109.1	117.0
2nd...	107.6	109.7	101.9	132.5	109.7	123.2	110.4	118.2
3rd...	108.5	110.4	101.8	134.4	110.2	123.9	111.3	119.0
4th...	109.4	112.3	102.6	136.0	110.8	124.2	111.6	119.3
Annual Ave.	108.1	110.3	102.0	133.4	109.9	123.4	110.6	118.4
1972								
1st...	110.5	114.3	103.4	138.8	112.2	125.7	112.6	120.6
2nd...	112.2	117.1	104.4	140.7	112.9	125.5	114.3	121.1
3rd...	113.2p	118.8p	105.0p	142.2p	113.0p	125.6p	115.6p	121.7p
1971								
		Percent Change Over Previous Quarter at Annual Rate <u>5/</u>						
1st...	7.5	8.7	1.2	9.2	5.8	1.7	10.5	4.7
2nd...	2.2	3.7	1.5	6.2	1.8	3.9	4.9	4.3
3rd...	3.2	2.5	- 0.6	5.8	1.7	2.6	3.1	2.8
4th...	3.7	7.2	3.4	4.7	2.3	1.0	1.1	1.0
Annual Ave. <u>6/</u>	3.6	3.0	- 0.6	7.1	2.7	3.4	6.0	4.3
1972								
1st...	3.9	7.0	3.1	8.7	5.1	4.6	3.6	4.2
2nd...	6.2	10.2	3.8	5.6	2.4	- 0.6	6.0	1.7
3rd...	3.7p	6.1p	2.3p	4.2p	0.5p	0.5p	4.6p	2.0p
1971								
		Percent Change Over Previous Year <u>7/</u>						
1st...	4.1	1.8	- 2.2	7.5	2.4	3.2	7.3	4.7
2nd...	3.6	2.3	- 1.3	7.5	3.0	3.8	6.6	4.8
3rd...	2.7	2.3	- 0.3	6.6	2.3	3.9	5.7	4.5
4th...	4.1	5.5	1.4	6.5	2.9	2.3	4.9	3.2
1972								
1st...	3.2	5.1	1.8	6.3	2.7	3.0	3.2	3.1
2nd...	4.2	6.7	2.4	6.2	2.9	1.9	3.5	2.4
3rd...	4.3p	7.6p	3.1p	5.7p	2.6p	1.3p	3.8p	2.2p

See footnotes at end of table 3.

p = preliminary

NOTE: Data have been revised to reflect new benchmarks. Revisions of earlier data appear on Appendix Table 4.

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	108.7	102.8	128.8	107.8	121.8	109.5	117.1
2nd...	106.6	109.8	103.0	131.2	108.6	123.0	110.5	118.3
3rd...	107.3	110.5	103.0	132.9	108.9	123.8	111.3	119.1
4th...	108.5	112.7	103.8	134.5	109.6	123.9	111.3	119.1
Annual Ave.	107.1	110.4	103.2	131.8	108.7	123.2	110.7	118.4
1972								
1st...	109.9	114.9	104.5	137.4	111.1	125.0	112.2	120.2
2nd...	111.3	117.8	105.9	139.0	111.5	124.9	113.7	120.6
3rd...	113.0p	119.8p	106.1p	141.0p	112.1p	124.8p	114.7p	121.0p
1971								
Percent Change Over Previous Quarter at Annual Rate <u>5/</u>								
1st...	7.4	8.6	1.1	9.1	5.7	1.5	10.1	4.5
2nd...	3.2	4.1	0.9	7.5	3.0	4.2	3.7	4.0
3rd...	2.5	2.4	- 0.2	5.2	1.1	2.5	2.9	2.7
4th...	4.7	8.1	3.3	4.9	2.6	0.3	- 0.1	0.1
Annual Ave.	3.6	3.0	- 0.6	7.1	2.7	3.4	6.1	4.3
1972								
1st...	5.2	8.1	2.8	9.1	5.5	3.8	3.5	3.7
2nd...	5.1	10.6	5.2	4.6	1.5	- 0.5	5.2	1.5
3rd...	6.2p	7.1p	0.9p	5.9p	2.2p	- 0.3p	3.6p	1.1p
1971								
Percent Change Over Previous Year <u>7/</u>								
1st...	3.9	1.6	- 2.2	7.5	2.4	3.5	8.1	5.1
2nd...	3.5	2.3	- 1.1	7.5	3.0	3.9	6.6	4.9
3rd...	2.4	2.2	- 0.2	6.6	2.2	4.0	5.6	4.6
4th...	4.4	5.8	1.3	6.7	3.1	2.1	4.1	2.8
1972								
1st...	3.9	5.6	1.7	6.7	3.0	2.7	2.5	2.6
2nd...	4.4	7.3	2.8	5.9	2.7	1.5	2.9	2.0
3rd...	5.3p	8.5p	3.0p	6.1p	2.9p	0.8p	3.0p	1.6p

See footnotes at end of table 4.

p = preliminary

NOTE: Data have been revised to reflect new benchmarks. Revisions of earlier data appear on Appendix 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...	112.6	106.3	94.4	128.2	107.3	113.9	
2nd...	114.7	108.2	94.3	130.0	107.6	113.3	
3rd...	115.3	107.9	93.5	131.2	107.6	113.8	
4th...	115.1	108.7	94.5	132.2	107.8	114.9	
Annual Ave.	114.4	107.8	94.2	130.5	107.5	114.0	
1972							
1st...	116.6	111.1	95.3	135.9	109.9	116.5	
2nd...	118.5	115.0	97.0	137.5	110.3	116.0	
3rd...	119.5p	116.3p	97.3p	139.1p	110.6p	116.5p	
1971							
		Percent Change Over Previous Quarter at Annual Rate <u>5/</u>					
1st...	13.8	16.6	2.5	9.0	5.7	- 4.2	
2nd...	7.9	7.3	- 0.5	5.7	1.2	- 2.0	
3rd...	2.2	- 1.1	- 3.2	3.7	- 0.3	1.5	
4th...	- 1.0	3.0	4.1	3.1	0.8	4.2	
Annual Ave. <u>6/</u>	5.8	1.7	4.0	6.8	2.4	0.9	
1972							
1st...	5.6	9.1	3.3	11.5	8.0	5.6	
2nd...	6.6	14.8	7.7	4.8	1.5	-1.6	
3rd...	3.3p	4.6p	1.2p	4.8p	1.2p	1.5p	
1971							
		Percent Change Over Previous Year <u>7/</u>					
1st...	6.3	- 1.2	- 7.1	8.3	3.2	1.8	
2nd...	6.1	0.7	- 5.1	7.5	3.0	1.3	
3rd...	5.2	1.0	- 4.0	5.8	1.5	0.6	
4th...	5.5	6.3	0.7	5.4	1.8	- 0.2	
1972							
1st...	3.6	4.5	0.9	6.0	2.4	2.3	
2nd...	3.3	6.3	2.9	5.8	2.4	2.4	
3rd...	3.6p	7.8p	4.1p	6.0p	2.8p	2.4p	

See footnotes at end of table 3.

p = preliminary

NOTE: Data have been revised to reflect new benchmarks. Revisions of earlier data appear on Appendix Table 4.

FOOTNOTES, TABLES 1 TO 3

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.

Appendix Table .4
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- ments <u>3/</u>	Implic price defla- to <u>4/</u>
<u>Total Private</u>								
1969								
1st.....	103.6	107.3	103.6	112.5	104.8	108.6	102.4	106.2
2nd.....	103.4	107.7	104.2	114.7	105.1	110.9	102.4	107.6
3rd.....	103.3	108.2	104.7	116.7	105.4	112.9	102.6	108.9
4th.....	103.1	107.5	104.2	119.5	106.5	115.8	101.7	110.4
Annual Ave.	103.3	107.7	104.2	115.8	105.5	112.1	102.4	108.3
1970								
1st.....	102.8	106.8	103.9	121.5	106.6	118.2	101.7	111.8
2nd.....	103.9	107.3	103.2	123.3	106.5	118.7	103.6	112.8
3rd.....	105.6	107.9	102.1	126.1	107.7	119.4	105.3	113.9
4th.....	105.1	106.5	101.3	127.7	107.7	121.5	106.4	115.6
Annual Ave.	104.3	107.1	102.6	124.6	107.1	119.4	104.3	113.5
<u>Private Nonfarm</u>								
1969								
1st.....	103.1	107.4	104.2	111.9	104.3	108.5	102.3	106.2
2nd.....	102.9	108.1	105.0	113.8	104.3	110.6	102.3	107.4
3rd.....	102.7	108.5	105.7	115.6	104.4	112.5	102.6	108.8
4th.....	102.3	107.9	105.4	118.0	105.2	115.4	101.4	110.1
Annual Ave.	102.7	108.0	105.1	114.8	104.6	111.8	102.2	108.1
1970								
1st.....	101.8	107.0	105.1	119.9	105.2	117.7	101.3	111.5
2nd.....	103.0	107.3	104.2	122.0	105.4	118.4	103.6	112.8
3rd.....	104.7	108.1	103.2	124.6	106.5	119.0	105.4	113.9
4th.....	103.9	106.5	102.5	126.1	106.3	121.3	106.9	115.9
Annual Ave.	103.4	107.2	103.8	123.1	105.8	119.1	104.3	113.5
<u>Manufacturing 8/</u>								
1969								
1st.....	106.7	110.1	103.2	111.3	103.7	104.3	n.a.	n.a.
2nd.....	106.8	111.1	104.0	113.0	103.5	105.7	n.a.	n.a.
3rd.....	108.0	112.5	104.2	115.0	103.9	106.5	n.a.	n.a.
4th.....	107.2	110.7	103.3	116.6	103.9	108.8	n.a.	n.a.
Annual Ave.	107.4	111.3	103.7	114.0	103.8	106.2	n.a.	n.a.
1970								
1st.....	105.9	107.6	101.6	118.4	104.0	111.9	n.a.	n.a.
2nd.....	108.1	107.5	99.4	120.9	104.5	111.8	n.a.	n.a.
3rd.....	109.6	106.8	97.4	124.0	106.0	113.1	n.a.	n.a.
4th.....	109.0	102.3	93.8	125.5	105.8	115.1	n.a.	n.a.
Annual Ave.	108.1	106.0	98.1	122.1	105.0	113.0	n.a.	n.a.

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

Appendix Table 5.

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 nonlabor payments</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
Private												
1969..	0.4	0.6	- 0.2	7.6	7.6	0.0	7.1	7.0	0.1	0.3	0.6	- 0.3
1970..	1.0	1.1	- 0.1	7.6	7.5	0.1	6.5	6.4	0.1	1.9	2.2	- 0.3
1971..	3.6	3.7	- 0.1	7.1	6.9	0.2	3.4	3.0	0.4	6.0	6.5	- 0.5
Private Nonfarm												
1969..	-0.1	0.0	0.1	7.0	7.0	0.0	7.2	7.0	0.2	- 0.1	0.2	- 0.3
1970..	0.6	0.7	- 0.1	7.2	7.2	0.0	6.6	6.5	0.1	2.1	2.3	- 0.2
1971..	3.6	3.7	- 0.1	7.1	6.9	0.2	3.4	3.1	0.3	6.1	6.6	- 0.5
Manufac- turing												
1969..	2.5	2.6	- 0.1	6.3	6.5	-0.2	3.8	3.8	0.0			
1970..	0.7	0.6	0.1	7.1	7.0	0.1	6.4	6.3	0.1			
1971..	5.8	5.6	0.2	6.8	6.5	0.3	0.9	0.9	0.0			

CHART 1. PRODUCTIVITY, HOURLY COMPENSATION, UNIT COSTS AND PRICES--TOTAL PRIVATE ECONOMY (PERCENT CHANGE FROM PRECEDING QUARTER AT ANNUAL RATE)

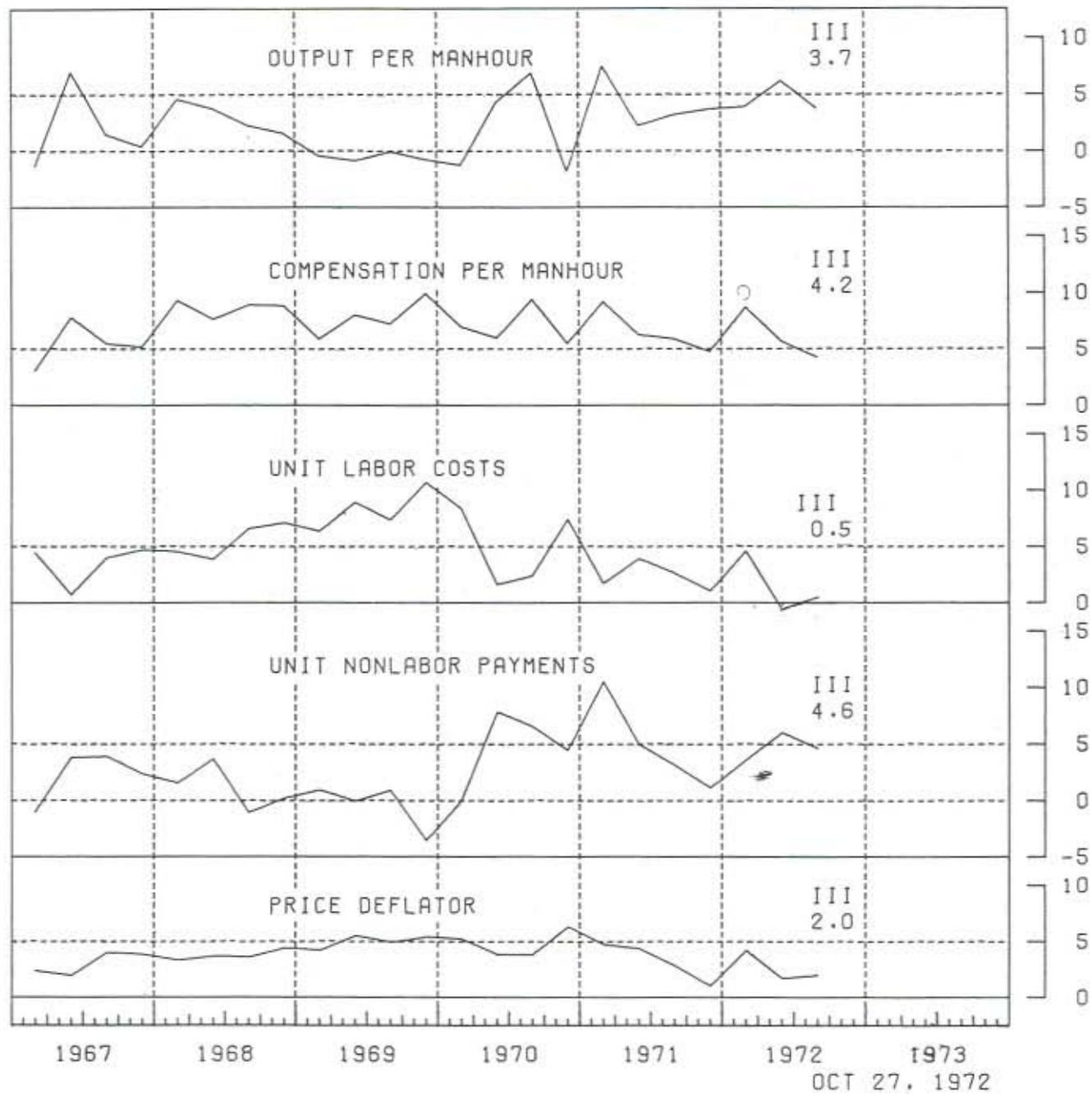


CHART 2. PRODUCTIVITY, HOURLY
 COMPENSATION, UNIT COSTS AND
 PRICES--PRIVATE NONFARM SECTOR
 (PERCENT CHANGE FROM PRECEDING
 QUARTER AT ANNUAL RATE)

