

NEWS



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Bureau of Labor Statistics
W.M. Eisenberg (202) 961-3595
K.D. Hoyle (202) 961-2913
Home: 333-1384

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

Second Quarter 1973

Productivity in nonfinancial corporations rose at a seasonally adjusted annual rate of 2.1 percent in the second quarter of 1973, down from 7.3 percent in the preceding quarter, according to preliminary figures reported today by the U.S. Department of Labor's Bureau of Labor Statistics. The reduced rate of productivity growth reflected a decline in the rate of increase of output -- from 11.6 percent in the first quarter to 5.3 percent in the second quarter -- combined with a lesser decline in the rate of increase in man-hours -- from 4.0 to 3.1 percent. (See table 4.)

Revised measures for the second quarter of 1973 for the total private economy and the nonfarm sector were also released today. As a result of small revisions in the gross national product and man-hours data, the previously published annual rates of change in output per man-hour for the total private economy and the nonfarm sector changed from declines of 0.2 and 0.3 percent to declines of 0.7 and 0.8 percent, respectively. Revised figures for the manufacturing sector also resulted in lower estimates of productivity gains from the first to the second quarter -- 3.4 percent, at a seasonally adjusted annual rate, down from the previously reported 4.6 percent rate. (See table A.)

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

	1st Quarter 1973 to 2nd Quarter 1973	2nd Quarter 1972 to 2nd Quarter 1973
<u>Nonfinancial Corporations</u> (preliminary)		
Output per man-hour	2.1	4.1
Compensation per man-hour	7.5	7.6
Unit labor costs	5.3	3.4
Real compensation per man-hour	-1.2	2.0
<u>Total Private</u> (revised)		
Output per man-hour	-0.7	2.9
Compensation per man-hour	6.9	7.2
Unit labor costs	7.6	4.1
Real compensation per man-hour	-1.7	1.6
<u>Private Nonfarm</u> (revised)		
Output per man-hour	-0.8	3.6
Compensation per man-hour	5.3	7.4
Unit labor costs	6.2	3.6
Real compensation per man-hour	-3.2	1.8
<u>Manufacturing</u> (revised)		
Output per man-hour	3.4	5.4
Compensation per man-hour	8.1	7.5
Unit labor costs	4.5	2.0
Real compensation per man-hour	-0.8	1.9

The productivity gain in the nonfinancial corporate sector from the second quarter of 1972 to the second quarter of 1973 was 4.1 percent, compared with 2.9 percent for the total private sector, 3.6 percent for the nonfarm sector, and 5.4 percent for manufacturing.

Compensation per man-hour (which includes both wages and supplemental payments) in the nonfinancial corporate sector rose at a seasonally adjusted annual rate of 7.5 percent in the second quarter, down from 12.1 percent in the previous quarter. The unusually large compensation increase in the first quarter reflected changes in the Social Security tax law, which increased contributions by both employers and employees.

Real compensation per man-hour (hourly compensation adjusted for changes in the Consumer Price Index) declined at an annual rate of 1.2 percent, down from the 5.9 percent rate of increase in the first quarter. The sharp decline in real hourly compensation gains reflected both the accelerated increase in the Consumer Price Index and the falloff in hourly compensation gains.

Unit labor costs, which reflect both changes in productivity and hourly compensation, rose at an annual rate of 5.3 percent during the second quarter, compared with a 4.4 percent rise in the first quarter. This rise reflected a greater decline in the rate of increase for output per man-hour than for hourly compensation during the quarter.

Unit non-labor costs -- which include depreciation, net interest, and indirect business taxes -- rose at an annual rate of 1.8 percent in the second quarter of 1973, compared with a decline of 2.0 percent in the first quarter. Total unit costs (labor and non-labor costs combined) increased at an annual rate of 4.4 percent, up from the 2.8 percent rate of increase in the first quarter.

Profits per unit of output in nonfinancial corporations increased by 6.9 percent at a seasonally adjusted annual rate in the second quarter down from an 11.6 percent rate of increase in the previous quarter. Since the second quarter of 1972, profits per unit of output have risen by 12.6 percent.

The implicit price deflator for the nonfinancial corporate sector, which reflects changes in unit labor costs, unit non-labor costs, and unit profits, increased at an annual rate of 4.7 percent in the first quarter, up from the 3.8 percent annual rate of increase in the first quarter.

The 3.1 percent seasonally adjusted annual rate of increase in man-hours in the second quarter reflected the continuing increase in employment (up 3.5 percent) and a very slight decline (-0.5 percent) in average weekly hours.

Table B summarizes price, cost, and profits developments since 1968. This time span includes the economic slowdown of 1969-70 and the subsequent recovery.

Table B. Indexes of Prices, Costs, and Profits in the
Nonfinancial Corporate Sector
(1967 = 100)

	1968	1969	1970	1971	1972	1972			1973	
						II	III	IV	I	II
Implicit price deflator	102.5	105.3	110.0	113.4	116.0	115.6	116.2	117.1	118.2	119.6
Total unit cost...	103.0	108.5	116.8	119.3	121.6	121.5	121.8	122.1	123.0	124.3
Unit labor cost.	102.8	108.1	114.9	116.7	119.9	119.6	120.2	120.7	122.0	123.6
Unit non-labor cost	103.9	109.8	122.9	127.2	126.7	127.3	126.5	126.6	125.9	126.5
Unit profits	99.7	86.9	71.3	80.2	84.8	82.6	84.9	89.0	91.4	93.0

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>
1972								
1st...	110.7	114.5	103.5	139.4	112.7	125.9	112.6	120.7
2nd...	112.5	117.4	104.4	141.4	113.4	125.7	114.1	121.2
3rd...	113.3	119.1	105.1	143.1	113.8	126.3	115.4	122.0
4th...	114.8	121.5	105.9	145.7	114.8	126.9	117.0	123.1
Annual Ave.	112.8	118.1	104.7	142.4	113.7	126.2	114.8	121.8
1973								
1st...	115.9	124.2	107.1	149.0	115.8	128.5	118.9	124.8
2nd...	115.8r	125.0r	108.0r	151.5r	115.3	130.9	121.1r	127.1r
<u>Percent Change Over Previous Quarter at Annual Rate <u>5/</u></u>								
1972								
1st...	2.1	5.4	3.2	9.9	6.3	7.6	0.5	4.9
2nd...	6.5	10.4	3.6	5.9	2.8	-0.5	5.4	1.5
3rd...	3.1	5.8	2.6	4.9	1.2	1.7	4.6	2.8
4th...	5.2	8.4	3.0	7.4	3.6	2.0	6.0	3.5
Annual Ave.	3.8	6.5	2.7	6.8	3.5	2.9	2.8	2.9
1973								
1st...	4.1	9.3	5.0	9.5	3.5	5.2	6.6	5.7
2nd...	-0.7r	2.6r	3.2r	6.9r	-1.7r	7.6r	7.4r	7.5r
<u>Percent Change Over Previous Year <u>7/</u></u>								
1972								
1st...	3.0	4.9	1.8	7.2	3.5	4.0	2.1	3.3
2nd...	4.1	6.6	2.4	7.0	3.7	2.8	2.1	2.5
3rd...	3.7	7.2	3.3	6.3	3.1	2.4	2.6	2.5
4th...	4.2	7.5	3.1	7.0	3.5	2.6	4.1	3.2
1973								
1st...	4.7	8.5	3.6	6.9	2.8	2.1	5.6	3.4
2nd...	2.9r	6.5	3.5 r	7.2	1.6r	4.1	6.1r	4.9r

See footnotes at end of 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>
1972								
1st....	109.8	114.9	104.6	137.8	111.4	125.5	112.5	120.6
2nd....	111.3	117.9	105.9	139.5	111.9	125.3	113.5	120.8
3rd....	112.9	119.9	106.2	141.8	112.7	125.6	114.5	121.4
4th....	114.2	122.3	107.1	144.2	113.6	126.2	115.8	122.3
Annual Ave.	112.1	118.7	106.0	140.9	112.4	125.7	114.0	121.3
1973								
1st....	115.6	125.1	108.2	147.9	114.9	127.9	116.4	123.6
2nd....	115.4r	126.3	109.5r	149.8r	113.9r	129.8	118.0r	125.4r
<u>Percent Change Over Previous Quarter at Annual Rate <u>5/</u></u>								
1972								
1st....	2.5	5.6	3.0	9.9	6.3	7.2	-0.4	4.4
2nd....	5.7	11.0	5.0	5.2	2.0	-0.5	3.7	1.0
3rd....	5.6	7.0	1.3	6.7	2.9	1.0	3.6	1.9
4th....	4.7	8.3	3.4	6.8	3.1	2.0	4.4	2.9
Annual Ave. <u>6/</u>	4.2	7.0	2.7	6.9	3.5	2.6	1.8	2.3
1973								
1st....	5.0	9.2	4.0	10.7	4.6	5.4	2.4	4.3
2nd....	-0.8r	3.9r	4.8r	5.3r	-3.2r	6.2	5.4	5.9
<u>Percent Change Over Previous Year <u>7/</u></u>								
1972								
1st....	3.5	5.2	1.7	7.3	3.7	3.7	1.4	2.9
2nd....	4.1	7.0	2.8	6.6	3.3	2.4	1.4	2.1
3rd....	4.4	7.8	3.2	6.6	3.4	2.0	1.4	1.8
4th....	4.6	8.0	3.2	7.1	3.6	2.4	2.8	2.5
1973								
1st....	5.3	8.9	3.4	7.3	3.2	1.9	3.5	2.5
2nd....	3.6r	7.1	3.4r	7.4	1.8r	3.6	3.9r	3.7r

footnotes at end of table 4.
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
1972						
1st...	118.6 ^r	113.0 ^r	95.3	136.4	110.3	115.1 ^r
2nd...	120.7 ^r	117.0 ^r	97.0	138.1	110.7	114.4 ^r
3rd...	123.2 ^r	120.3 ^r	97.6	139.6	110.9	113.3 ^r
4th...	124.9 ^r	124.4 ^r	99.6	141.9	111.8	113.6 ^r
Annual Ave.	121.8	118.6	97.4	139.0	110.9	114.1
1973						
1st...	126.1 ^r	127.5 ^r	101.1	145.6	113.1	115.4 ^r
2nd...	127.2 ^r	129.8 ^r	102.1 ^r	148.4 ^r	112.9 ^r	116.7 ^r
<u>Percent Change Over Previous Quarter at Annual Rate 5/</u>						
1972						
1st...	7.8 ^r	12.2 ^r	4.1	11.1	7.6	3.1 ^r
2nd...	7.4 ^r	15.3 ^r	7.4	4.9	1.6	-2.3 ^r
3rd...	8.6 ^r	11.4 ^r	2.6	4.4	0.8	-3.8 ^r
4th...	5.7 ^r	14.3 ^r	8.2	6.8	3.2	1.1 ^r
Annual Ave.	5.4	8.9	3.4	6.3	2.9	0.9
1973						
1st...	3.9 ^r	10.3 ^r	6.2	10.8	4.7	6.6 ^r
2nd...	3.4 ^r	7.4 ^r	3.8 ^r	8.1 ^r	-0.8 ^r	4.5 ^r
<u>Percent Change Over Previous Year 7/</u>						
1972						
1st...	4.3 ^r	5.2 ^r	0.9	6.3	2.7	2.0 ^r
2nd...	4.1 ^r	7.1 ^r	2.9	6.2	2.9	2.0 ^r
3rd...	5.8 ^r	10.4 ^r	4.3	5.9	2.7	0.1 ^r
4th...	7.4 ^r	13.3 ^r	5.5	6.8	3.2	-0.5 ^r
1973						
1st...	4.7 ^r	12.8 ^r	6.1	6.7	2.6	0.3 ^r
2nd...	5.4 ^r	10.8 ^r	5.2 ^r	7.5 ^r	1.9 ^r	2.0 ^r

See footnotes at end of table 4.
r = revised

NOTE: Data have been revised beginning in the 1st quarter of 1972 to reflect revisions in the Federal Reserve Board Index of Industrial Production.

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

Year and quarter	Output per man-hour	Output	Man-hour	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>	Total unit cost <u>10/</u>	Unit profits <u>11/</u>	Implicit price deflator
1972										
1st...	116.6	118.5	101.6	138.8	112.2	119.1	126.3	120.8	83.0	115.1
2nd...	117.3	120.9	103.1	140.2	112.5	119.6	127.3	121.5	82.6	115.6
3rd...	118.3	122.4	103.5	142.3	113.1	120.2	126.5	121.8	84.9	116.2
4th...	119.3	125.5	105.2	144.0	113.5	120.7	126.6	122.1	89.0	117.1
Annual Ave.	117.9	121.9	103.4	141.3	112.8	119.9	126.7	121.6	84.8	116.0
1973										
1st...	121.4	129.0	106.2	148.2	115.1	122.0	125.9	123.0	91.4	118.2
2nd...	122.1p	130.7p	107.0p	150.9p	114.8p	123.6p	126.5p	124.3p	93.0p	119.6p
<u>Percent Change Over Previous Quarter at Annual Rate 5/</u>										
1972										
1st...	4.7	9.0	4.1	11.5	7.9	6.5	-4.2	3.6	15.6	4.9
2nd...	2.5	8.6	6.0	4.2	1.0	1.6	3.1	2.0	-2.0	1.6
3rd...	3.6	5.1	1.5	5.9	2.2	2.3	-2.4	1.1	12.0	2.2
4th...	3.4	10.4	6.8	4.9	1.3	1.4	0.3	1.1	20.4	3.2
Annual Ave.	4.0	7.4	3.3	6.8	3.4	2.7	-0.4	1.9	5.8	2.3
1973										
1st...	7.3	11.6	4.0	12.1	5.9	4.4	-2.0	2.8	11.6	3.8
2nd...	2.1p	5.3p	3.1p	7.5p	-1.2p	5.3p	1.8p	4.4p	6.9p	4.7p
<u>Percent Change Over Previous Year 7/</u>										
1972										
1st...	4.7	6.4	1.6	7.4	3.8	2.6	-0.6	1.8	5.7	2.2
2nd...	4.3	7.2	2.9	6.9	3.5	2.5	0.6	2.0	1.9	2.0
3rd...	3.6	7.7	4.0	6.3	3.1	2.7	-0.9	1.7	4.9	2.1
4th...	3.5	8.3	4.6	6.6	3.1	3.0	-0.8	2.0	11.2	2.9
1973										
1st...	4.2	8.9	4.5	6.7	2.6	2.5	-0.3	1.8	10.2	2.7
2nd...	4.1p	8.1p	3.8p	7.6p	2.0p	3.4p	-0.6p	2.3p	12.6p	3.4p

See footnotes at end of table 4.
= 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 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/ Total unit costs is the sum of labor and non-labor costs.

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

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

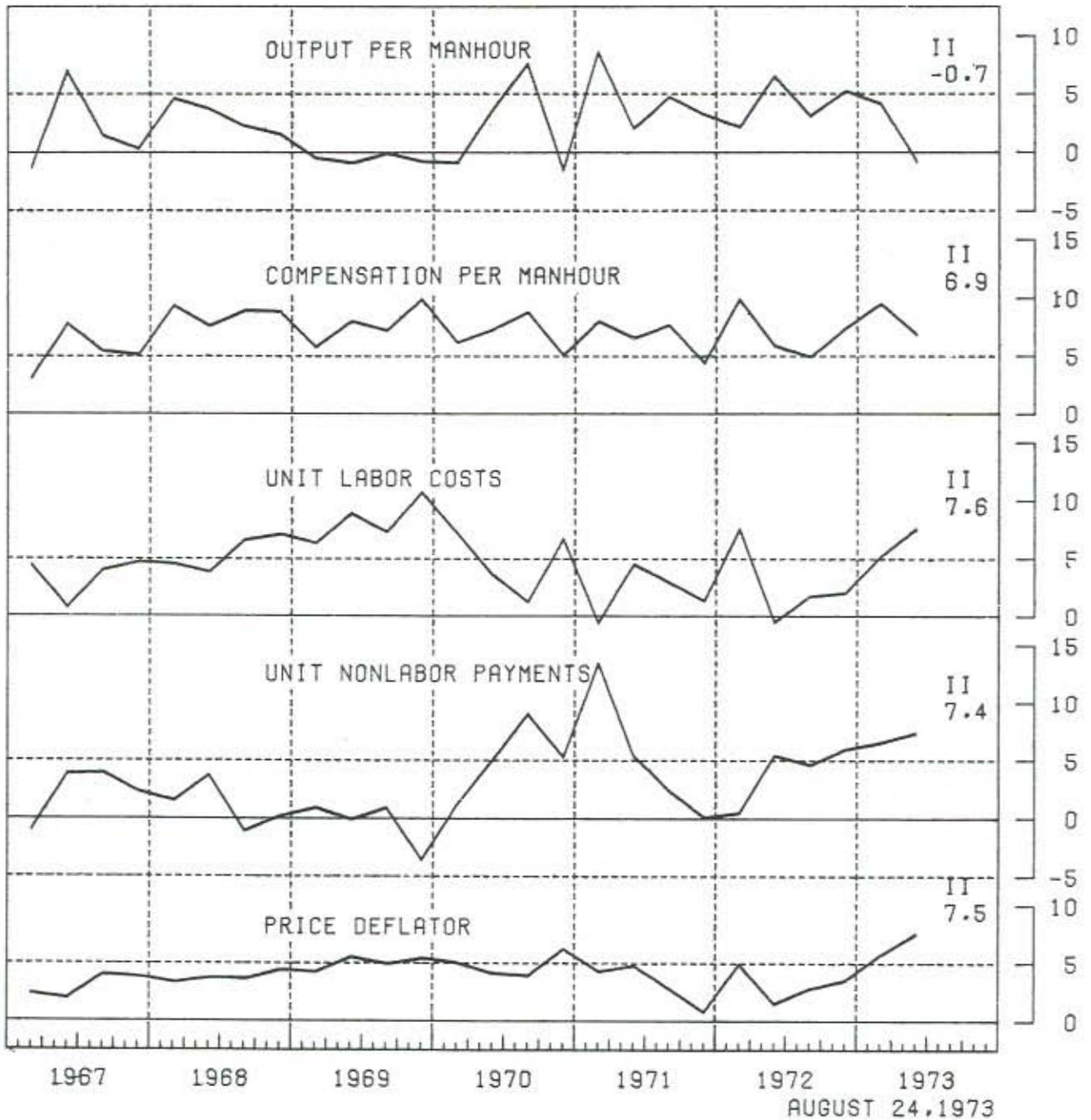


CHART 2. PRODUCTIVITY, HOURLY
 COMPENSATION, UNIT COSTS AND PRICES
 PRIVATE NONFARM SECTOR
 (PERCENT CHANGE FROM PRECEDING
 QUARTER AT ANNUAL RATE)

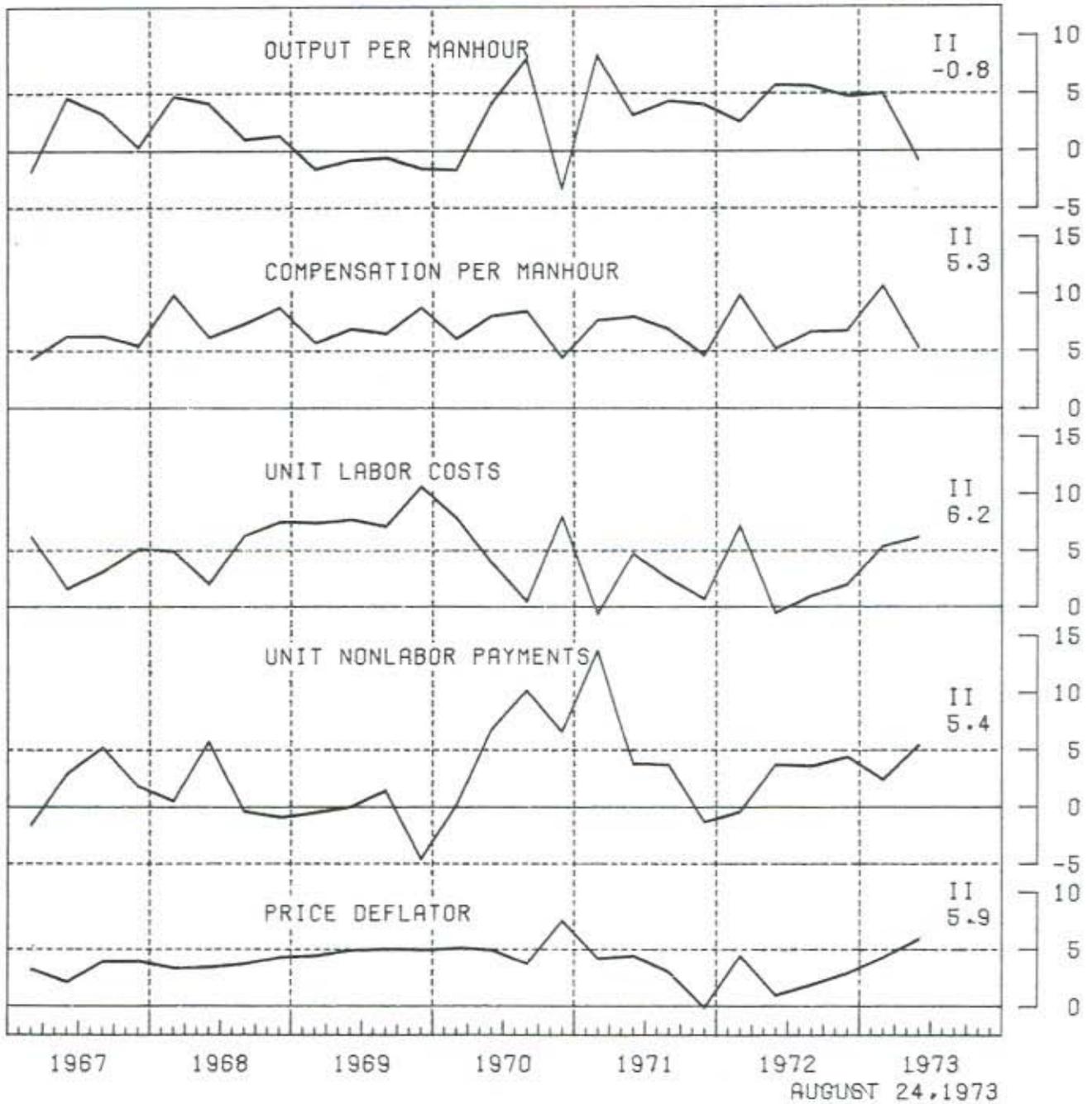


CHART 3. PRODUCTIVITY, HOURLY
 COMPENSATION, UNIT COSTS AND PRICES
 NONFINANCIAL CORPORATIONS
 (PERCENT CHANGE FROM SAME
 QUARTER A YEAR AGO)

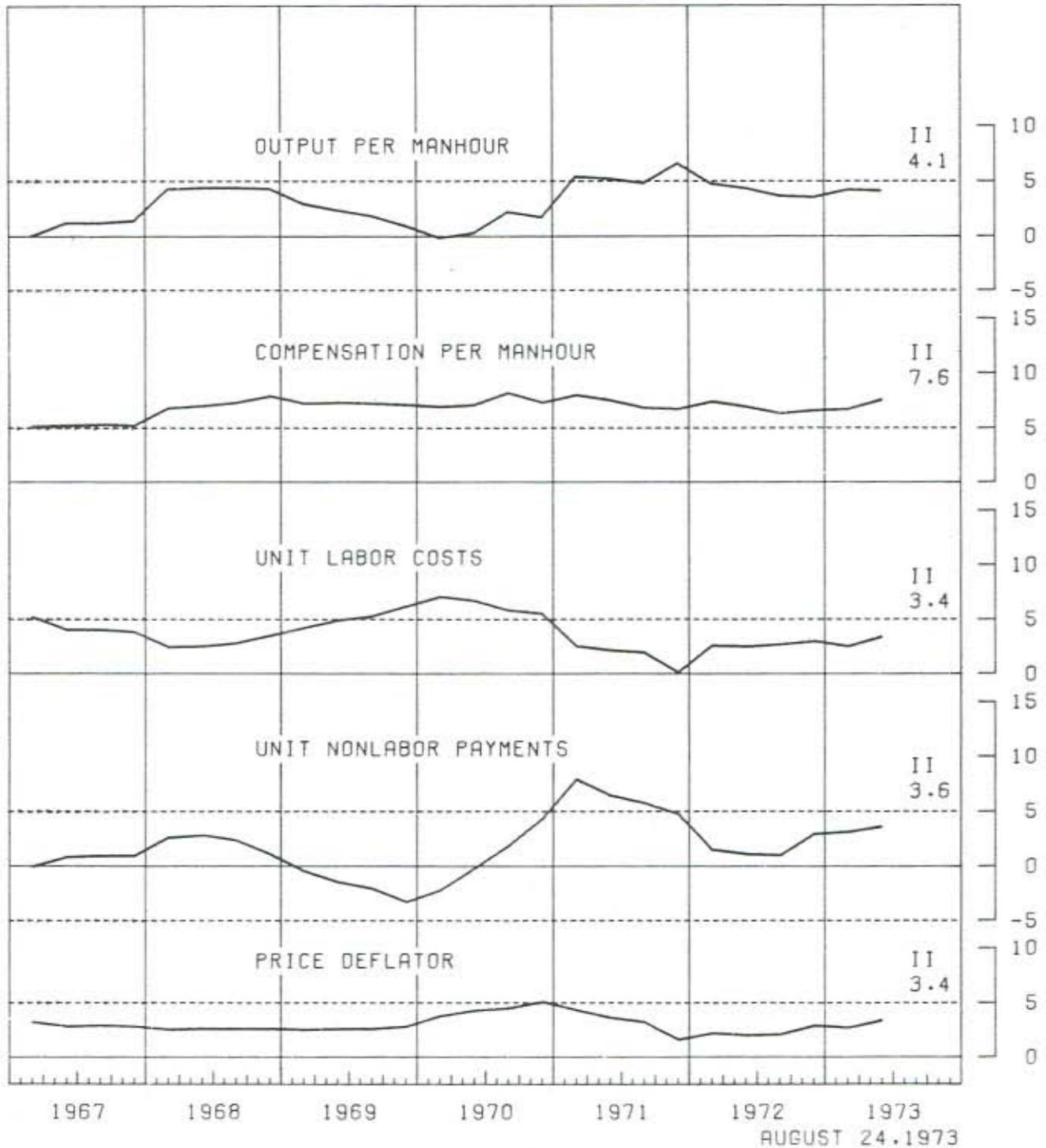
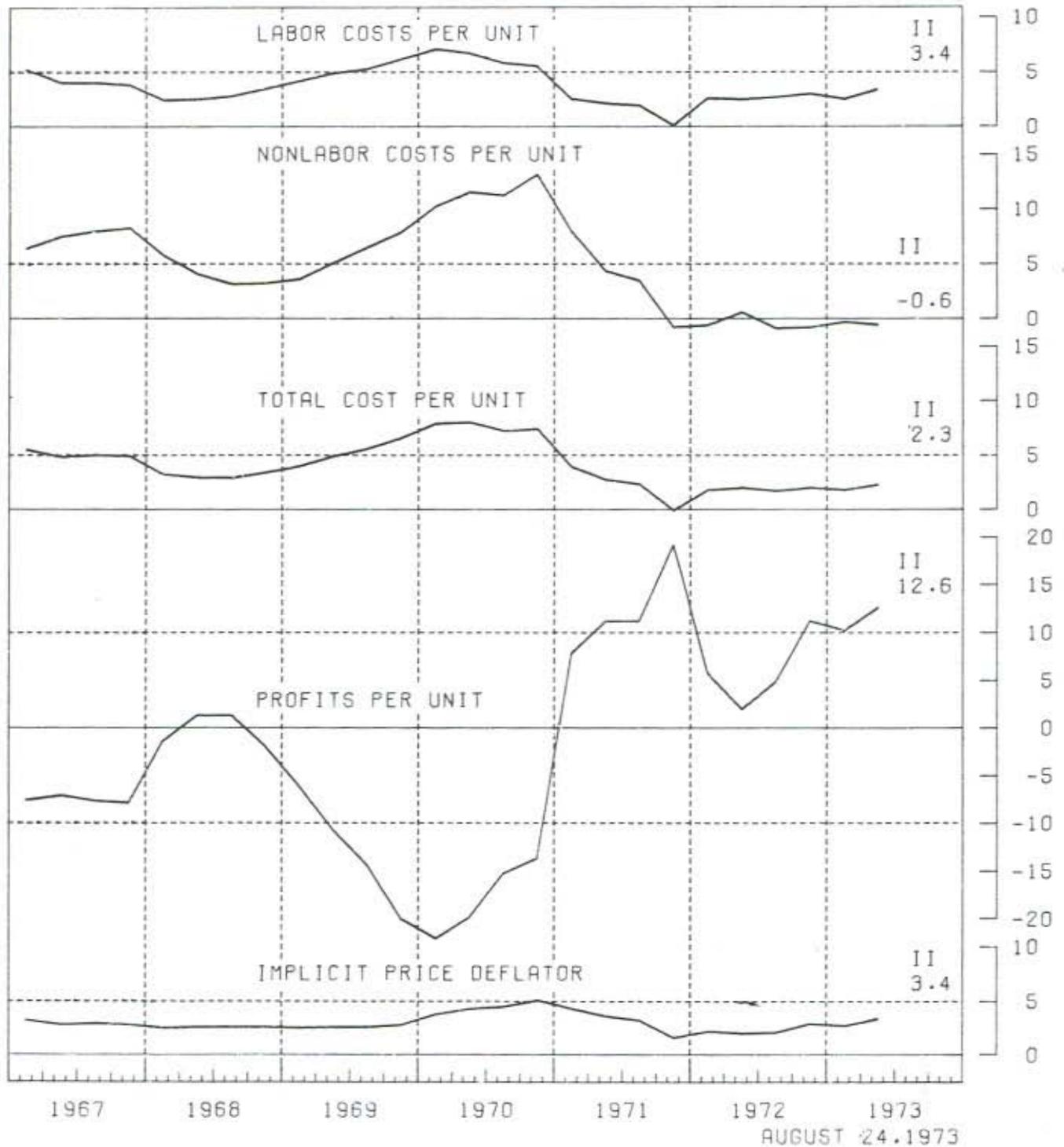


CHART 4.
 UNIT COSTS, UNIT PROFITS, AND PRICES
 NONFINANCIAL CORPORATIONS
 (PERCENT CHANGE FROM SAME
 QUARTER A YEAR AGO)



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