

NEWS



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Bureau of Labor Statistics
L.J. Fulco (202) 961-3595
K.D. Hoyle (202) 961-2913
Home: (202) 333-1384

**Productivity and Costs in the Private Economy, Third Quarter 1973
(and Data for Nonfinancial Corporations, Second Quarter 1973)**

Productivity advanced in the third quarter of 1973, reversing the decline which took place in the second quarter, the Bureau of Labor Statistics of the U.S. Department of Labor announced today. In the total private economy, output per man-hour increased 1.6 percent (seasonally adjusted, at annual rate) compared to a decline of 7 tenths of one percent during the previous quarter. Similarly, in the nonfarm sector, productivity went up 1.9 percent in the third quarter, compared to a decline of -0.8 percent in the previous period. In the manufacturing sector, output per man-hour advanced 6.8 percent, a significant increase over the 3.8 percent rise which occurred previously.

From the corresponding quarter a year ago, productivity advanced 2.5 percent in the total private economy, 2.7 percent in the nonfarm sector, and 5.0 percent in manufacturing. (See Table A.)

The turn-around in productivity reflected a faster rate of growth in output coupled with a slower rate of growth in man-hours, compared to the second quarter. During the third quarter output rose 3.7 percent for the private sector and 4.6 for nonfarm, up from the 2.6 and 3.9 percent rates, in the previous quarter.

Table A. Percent Change at Annual Rate
(Seasonally Adjusted)

	II 1973 to III 1973	III 1972 to III 1973
<u>Total Private</u>		
Output per man-hour	1.6	2.5
Compensation per man-hour	8.4	8.0
Unit labor costs	6.7	5.4
Real compensation per man-hour	-0.7	1.1
<u>Private Nonfarm</u>		
Output per man-hour	1.9	2.7
Compensation per man-hour	7.9	7.7
Unit labor costs	5.9	4.8
Real compensation per man-hour	-1.2	0.8
<u>Manufacturing</u>		
Output per man-hour	6.8	5.0
Compensation per man-hour	9.2	8.7
Unit labor costs	2.2	3.5
Real compensation per man-hour	0.1	1.8

Man-hours in the total private economy rose 2.1 percent in the third quarter, after posting a 3.2 percent rise in the quarter before. Since the rate of growth of employment was virtually the same in both quarters (2.5 and 2.6 percent, respectively) the slower growth of man-hours was due to a 0.4 percent decline in average weekly hours to 37.8.

In the nonfarm sector, man-hours behaved similarly, rising at an annual rate of 2.6 percent in the third quarter compared to a 4.8 percent rate of growth one quarter earlier. Employment growth moderated somewhat in the third quarter (3.1 percent compared to 3.8 percent in the second quarter) and average weekly hours declined 0.5 percent to 37.5.

The sharp rise in manufacturing output per man-hour reflected the rapid advance of output with man-hours remaining virtually unchanged.

Compensation

Hourly compensation for all three sectors rose substantially in the third quarter, 8.4 percent in the private sector, 7.9 percent in nonfarm and 9.2 percent in manufacturing. These rates were somewhat higher than in the second quarter.

Real compensation per man-hour which is hourly compensation adjusted for changes in consumer prices fell by 7 tenths of one percent in the private sector and 1.2 percent in the nonfarm sector during the third quarter. The CPI rise more than offset the increase in compensation per man-hour. In the manufacturing sector the increase in hourly compensation was virtually the same as the rise in the CPI.

Costs and Prices

Unit labor costs -- which reflect both compensation per man-hour and output per man-hour -- rose at a slower rate in the third quarter in all three sectors. In the total private economy, unit labor costs went up at an annual rate of 6.7 percent during the third quarter, compared to 7.6 percent during the previous

period. In the nonfarm sector, unit labor costs rose 5.9 percent, compared to 6.2 percent in the second quarter. In the manufacturing sector unit labor costs increased 2.2 percent, about one-half the rise experienced in the previous quarter. The slowing of the rate of growth in unit labor costs stemmed from the accelerated productivity increase.

Unit nonlabor payments (which include capital consumption allowances, net interest, indirect business taxes, and profits) increased 7.4 percent in the private economy, duplicating the rise which occurred during the second quarter. In the nonfarm sector this measure rose 1.7 percent, after having gone up 5.4 percent in the previous period at seasonally adjusted annual rates.

The implicit price deflator -- which reflects changes in unit labor costs, unit profits, and other non-labor costs -- went up 6.9 percent in the private economy, and 4.4 percent in the nonfarm sector, at annual rates. In each case, the increase was smaller than that experienced during the second quarter, when these costs rose 7.5 and 5.9 percent, respectively.

Within the nonfarm sector the demand for labor increased moderately as reflected in the change in the man-hour measure. Substantial increases registered in the mining and "other" industry categories offset a slight decrease of employee man-hours in the trade industry. In manufacturing, which together with trade accounts for 50 percent of the nonfarm total, man-hours remained the same in the third quarter.

(See Table B.)

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

Industry	1973 II	1973 III
^{1/} Private Nonfarm	4.8	2.6
Mining	7.4	10.8
Construction	16.1	5.4
Manufacturing	3.9	0.0
Transportation, Communication and Public Utilities	4.7	0.7
Trade	3.3	-0.2
Finance, Insurance, and Real Estate	3.8	2.2
Services	5.5	3.5
Other	4.7	10.2

^{1/} Private nonfarm includes all persons engaged in production. Other industry categories are paid employees only, except for the "other" category which includes government enterprises, private households, proprietors, and unpaid family workers.

Revised Figures for Non-financial Corporations

The FLS also announced today the revised figures for nonfinancial corporations for the second quarter of 1973 showed a downward revision of the productivity measure, to 1.9 percent (seasonally adjusted, at annual rate). The measure had previously been estimated at 2.1 percent, based on preliminary data. The change reflects a downward adjustment of the rate of growth in output in the nonfinancial corporate sector, which at an annual growth rate of 5.0 percent in the second quarter was lower than the previous estimate of 5.3 percent. The preliminary

estimate of the annual growth rates of compensation per man-hour and real compensation per man-hour were not affected by the revisions (7.5 percent and -1.2 percent, respectively). (See Table C.)

Table C. Percent Change at Annual Rate
(Seasonally Adjusted)

	I 1973 to II 1973		II 1972 to II 1973	
	Preliminary	Revised	Preliminary	Revised
<u>Non-financial Corporations</u>				
Output per man-hour	2.1	1.9	4.1	4.0
Compensation per man-hour	7.5	7.5	7.6	7.6
Unit labor costs	5.3	5.5	3.4	3.4
Real compensation per man-hour	-1.2	-1.2	2.0	2.0

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...	115.8	125.0	108.0	151.5	115.3	130.9	121.1	127.1
3rd...	116.2p	126.2p	108.6	154.6p	115.0p	133.0p	123.3p	129.2p
Percent Change Over Previous Quarter at Annual Rate <u>5/</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...	-0.7	2.6	3.2	6.9	-1.7	7.6	7.4	7.5
3rd...	1.6p	3.7p	2.1p	8.4p	-0.7p	6.7p	7.4p	6.9p
Percent Change Over Previous Year <u>7/-</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...	2.9	6.5	3.5	7.2	1.6	4.1	6.1	4.9
3rd...	2.5p	6.0p	3.3p	8.0p	1.1p	5.4p	6.8p	5.9p

See footnotes at end of table 4.

p = preliminary

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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 ...	115.4	126.3	109.5	149.8	113.9	129.8	118.0	125.4
3rd ...	115.9p	127.7p	110.2p	152.7p	113.6p	131.7p	118.5p	126.7p
<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 ...	-0.8	3.9	4.8	5.3	-3.2	6.2	5.4	5.9
3rd ...	1.9p	4.6p	2.6p	7.9p	-1.2p	5.9p	1.7p	4.4p
<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 ...	3.6	7.1	3.4	7.4	1.8	3.6	3.9	3.7
3rd ...	2.7p	6.5p	3.7p	7.7p	0.8p	4.8p	3.5p	4.4p

See footnotes at end of table 4.

p = preliminary

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	113.0	95.3	136.4	110.3	115.1
2nd...	120.7	117.1	97.0	138.1	110.7	114.4
3rd...	123.2	120.3	97.6	139.6	110.9	113.3
4th...	124.9	124.4	99.6	141.9	111.8	113.6
Annual Ave.	121.8	118.6	97.4	139.0	110.9	114.1
1973						
1st...	126.1	127.5	101.1	145.6	113.1	115.4
2nd...	127.3	129.9	102.0	148.5	112.9	116.6
3rd...	129.4p	132.1p	102.1p	151.8p	112.9p	117.3p
<u>Percent Change Over Previous Quarter at Annual Rate <u>5/</u></u>						
1972						
1st...	7.8	12.2	4.1	11.1	7.6	3.1
2nd...	7.4	15.3	7.4	4.9	1.6	-2.3
3rd...	8.6	11.4	2.6	4.4	0.8	-3.8
4th...	5.7	14.3	8.2	6.8	3.2	1.1
Annual Ave.	5.4	8.9	3.4	6.3	2.9	0.9
1973						
1st...	3.9	10.3	6.2	10.8	4.7	6.6
2nd...	3.8	7.7	3.8	8.2	-0.7	4.2
3rd...	6.8p	6.9p	0.1p	9.2p	0.1p	2.2p
<u>Percent Change Over Previous Year <u>7/</u></u>						
1972						
1st...	4.3	5.2	0.9	6.3	2.7	2.0
2nd...	4.1	7.1	2.9	6.2	2.9	2.0
3rd...	5.8	10.4	4.3	5.9	2.7	0.1
4th...	7.4	13.3	5.5	6.8	3.2	-0.5
1973						
1st...	6.4	12.8	6.1	6.7	2.6	0.3
2nd...	5.5	10.9	5.2	7.5	2.0	1.9
3rd...	5.0p	9.8p	4.5p	8.7p	1.8p	3.5p

See footnotes at end of table 4.
p = preliminary

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 1/	Real	Unit labor cost	Unit non-labor costs 9/	Total unit cost 10/	Unit profits 11/	Implicit price deflator
					compensation per man-hour 2/					
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...	122.0r	130.6r	107.0r	150.9r	114.8r	123.7r	126.5r	124.4r	92.7r	119.6r
<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...	1.9r	5.0r	3.1r	7.5r	-1.2r	5.5r	1.7r	4.6r	5.5r	4.7r
<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...	4.0r	8.0r	3.8r	7.6r	2.0r	3.4r	-0.6r	2.4r	12.3r	3.4r

See footnotes at end of table 4.

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/ 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)

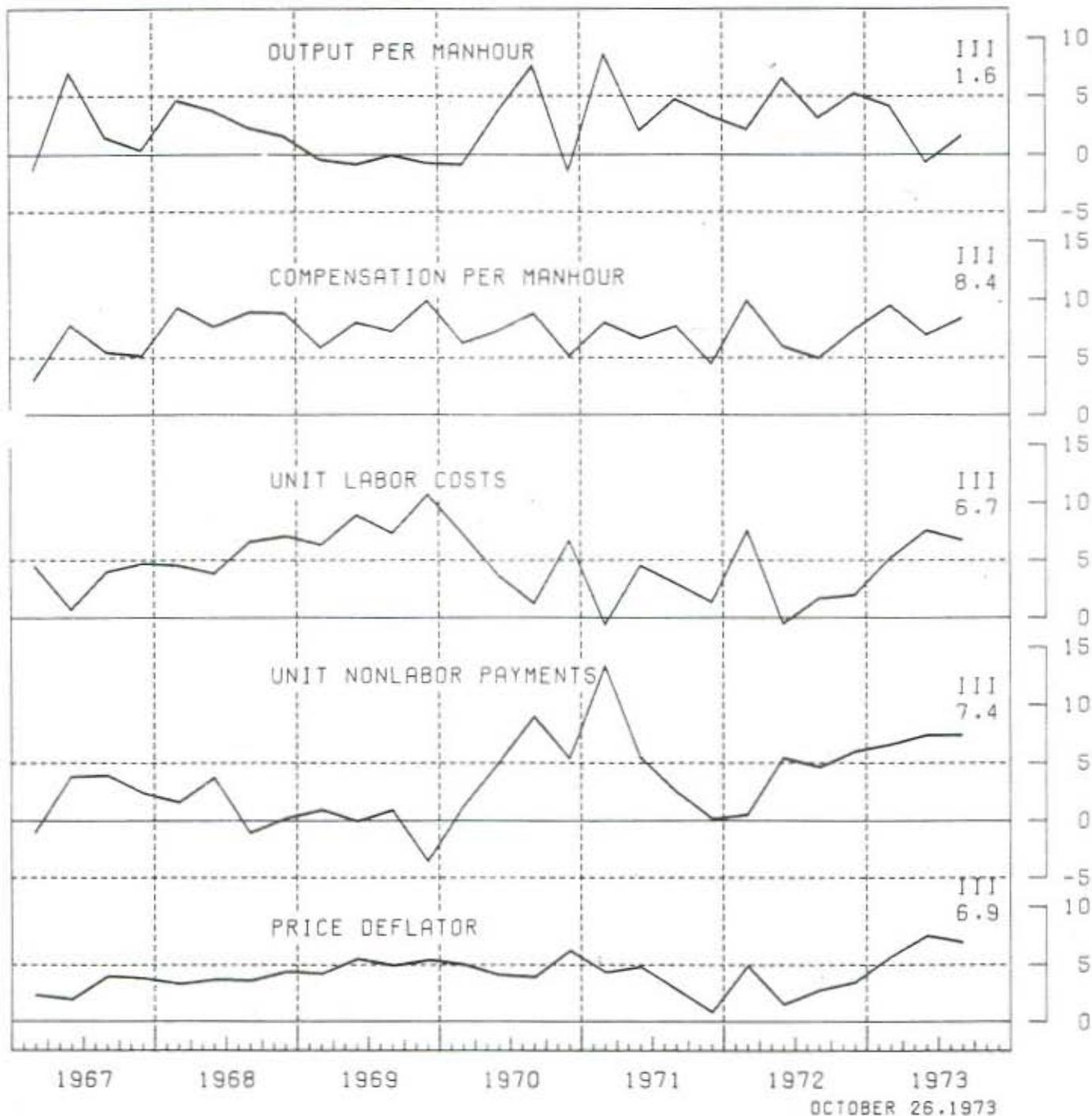


CHART 2. PRODUCTIVITY, HOURLY
 COMPENSATION, UNIT COSTS AND PRICES
 PRIVATE NONFARM SECTOR
 (PERCENT CHANGE FROM PRECEDING
 QUARTER AT ANNUAL RATE)

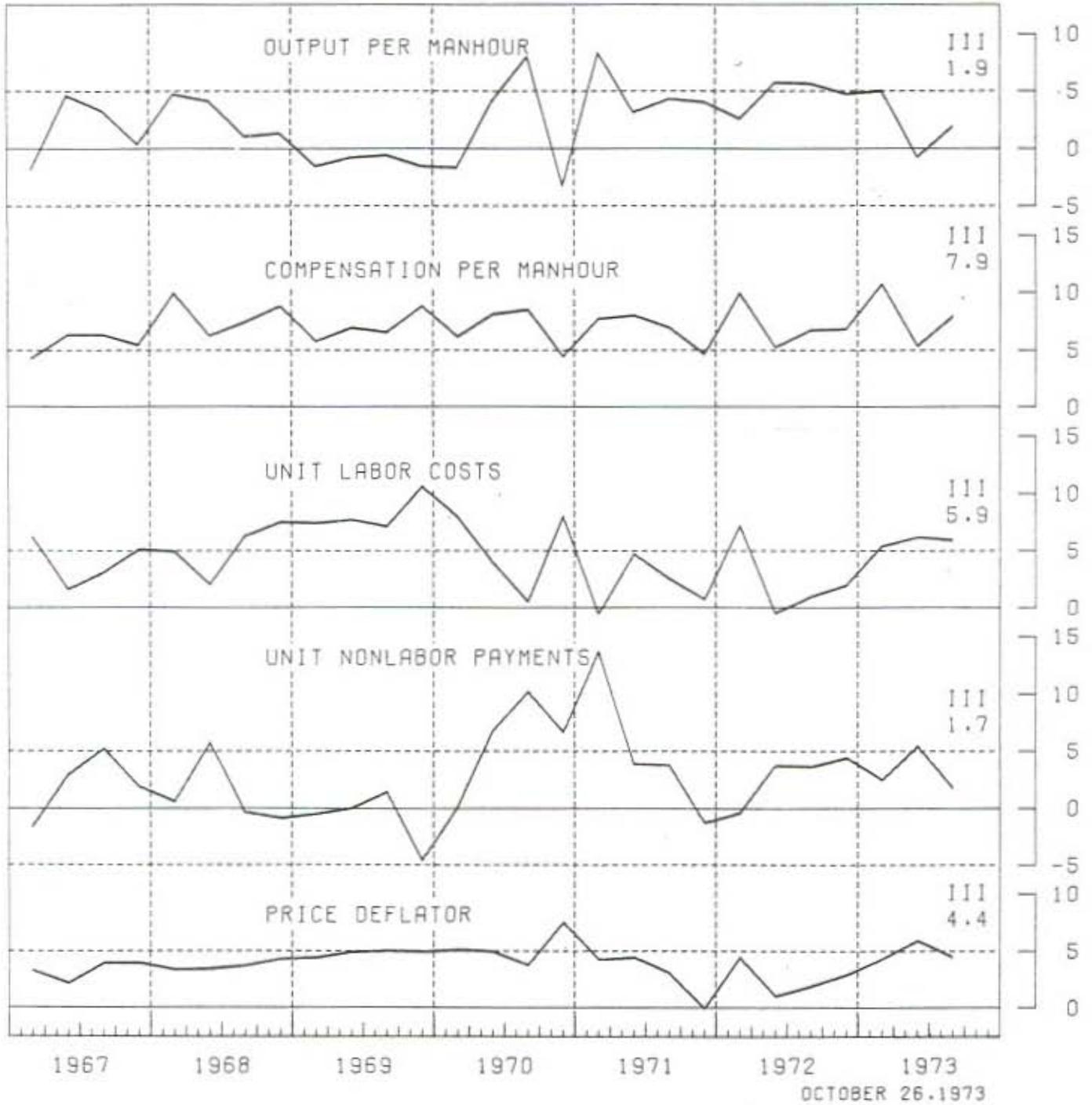


CHART 3. PRODUCTIVITY, HOURLY
 COMPENSATION, UNIT COSTS AND PRICES
 NONFINANCIAL CORPORATIONS
 (PERCENT CHANGE FROM SAME
 QUARTER A YEAR AGO)

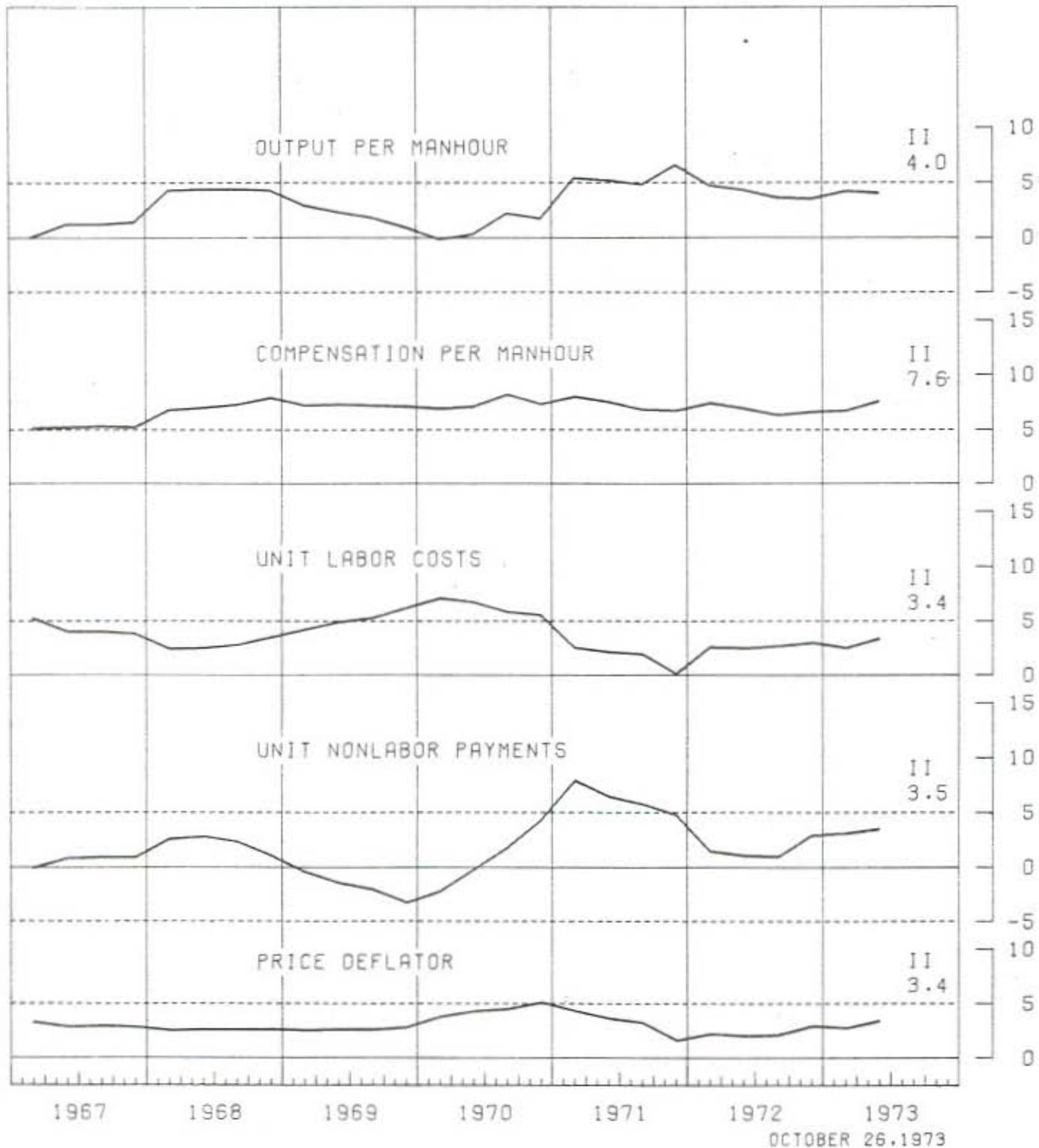


CHART 4.
 UNIT COSTS, UNIT PROFITS, AND PRICES
 NONFINANCIAL CORPORATIONS
 (PERCENT CHANGE FROM SAME
 QUARTER A YEAR AGO)

