

NEWS



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Productivity and Costs in the Private Economy, Fourth Quarter 1973 and Annual Averages for 1973

Productivity (output per man-hour) in the private economy declined at an annual rate of 1.3 percent in the fourth quarter of 1973 compared with a rise of 0.4 percent in the third quarter, according to preliminary figures announced today by the Bureau of Labor Statistics of the U.S. Department of Labor. The fourth quarter decrease in productivity reflected a rise in man-hours (2.5 percent) that was greater than the rise in output (1.2 percent).

In the nonfarm sector, productivity declined by 2.4 percent, compared with an increase of 1.8 percent in the third quarter. Output declined 0.4 percent while man-hours increased 2.1 percent, at seasonally adjusted rates.

In the manufacturing sector productivity declined also, falling 3.8 percent during the fourth quarter, compared with a 5.5 percent gain in the previous quarter.

Over the past four quarters, the increases in output per man-hour for the private economy and nonfarm sectors were slightly less than 1 percent, but for manufacturing the gain was 2.3 percent. (See table A.)

For all of 1973, productivity in the private economy grew at an average rate of 2.9 percent over 1972, about the same as the long-term trend. (See table B.)

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

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

	3rd Quarter 1973 to 4th Quarter 1973	4th Quarter 1972 to 4th Quarter 1973
<u>Total Private</u>		
Output per man-hour	-1.3	0.9
Compensation per man-hour	8.0	8.2
Unit labor costs	9.3	7.3
Real compensation per man-hour	-1.7	-0.2
<u>Private Nonfarm</u>		
Output per man-hour	-2.4	0.8
Compensation per man-hour	8.3	8.0
Unit labor costs	10.9	7.1
Real compensation per man-hour	-1.4	-0.3
<u>Manufacturing</u>		
Output per man-hour	-3.8	2.3
Compensation per man-hour	5.4	8.4
Unit labor costs	9.5	5.9
Real compensation per man-hour	-4.1	-0.1

The decline in output per man-hour in the private sector was attributable to a small increase in output -- 1.2 percent in the fourth quarter -- while man-hours increased at a greater rate -- up 2.5 percent in the fourth quarter.

The decline in output per man-hour in the manufacturing sector -- 3.8 percent, at a seasonally adjusted annual rate -- came about because of an unusually slow rate of growth of output in the final quarter of 1973. Although the 4-quarter rise for output was 6.1 percent, in the last quarter it increased only 0.9 percent. Employment, on the other hand, moved ahead during the fourth quarter at about the same rate as it had for the year as a whole.

During the fourth quarter, hourly compensation rose at an annual rate of 8.0 percent in the private economy, compared with an increase of 7.3 percent in the third quarter. Since the fourth quarter of 1972, hourly compensation has increased 8.2 percent.

In the nonfarm sector, hourly compensation increased 8.3 percent in the fourth quarter, compared with a 8.0 percent rise one quarter earlier. The 4-quarter rise in hourly compensation was 8.0 percent in the nonfarm sector.

In the manufacturing sector, compensation per man-hour went up 5.4 percent, compared with an increase of 9.2 percent in the third quarter. Compared with the fourth quarter of 1972, hourly compensation was 8.4 percent higher.

Real hourly compensation (i.e., hourly compensation adjusted for changes in the Consumer Price Index) declined 1.7 percent in the private economy in the fourth quarter. In the nonfarm sector, the decrease was 1.4 percent and, in manufacturing, the decrease was 4.1 percent. From the fourth quarter of 1972 to the fourth quarter of 1973, the declines were 0.3 and 0.1 percent respectively.

Costs and Prices

Unit labor costs, which reflect the movement of productivity and hourly compensation, rose at an annual rate of 9.3 percent in the fourth quarter in the total private economy.

In the nonfarm sector, unit labor costs rose 10.9 percent in the fourth quarter because of the decline in productivity and the continued strong increase in compensation per man-hour. In manufacturing, these costs rose 9.5 percent. Compared with the fourth quarter of 1972, the increase in unit labor costs was 7.3 percent in the total private economy, 7.1 percent in the nonfarm sector, and 5.9 percent in manufacturing (at annual rates).

The rate of increase in unit nonlabor payments (which include capital consumption allowances, net interest, indirect business taxes, and profits) slowed in the private economy -- 5.0 percent compared with a 7.9 percent increase in the third quarter. In the nonfarm sector, unit nonlabor payments declined 0.2 percent -- down from a 2.2 percent increase in the third quarter.

The rise in prices as measured by the implicit price deflator for the Gross National Product (which reflects changes in unit labor cost, nonlabor costs, and profits) was 7.7 percent for the private economy in the fourth quarter and 6.9 percent for the nonfarm sector. These increases were greater than those posted in the second and third quarters.

Annual Review of Productivity and Costs in the Private Economy: 1973^{*}

For 1973, productivity grew at a rate of 2.9 percent over 1972, nearly equalling the long-term growth rate of 3.0 percent for the last two decades. However, the increase was lower than those which occurred in 1971 and 1972, when output per man-hour rose 4.1 percent and 3.8 percent respectively.

Although the rate of growth in output in 1973 was somewhat slower than the year before (6.2 percent versus 6.5 percent in 1972), man-hours increased at a faster pace (up 3.2 percent compared with 2.7 percent in 1972). The man-hour increase largely reflected continued expansion of the labor force, and private employment has gone up more than 3 percent (seasonally adjusted, at annual rate) for the past 8 quarters. Average weekly hours remained about the same.

^{*}

Yearly comparisons in this section are based on the annual averages for 1972 and 1973. In the preceding sections, the yearly comparisons are based on changes between the fourth quarter of 1972 and the fourth quarter of 1973. Thus, the annual average index for output per man-hour in the total private economy was 112.8 in 1972 and 116.1 in 1973 for an average annual increase of 2.9 percent. For this same series, the index was 114.8 in the fourth quarter of 1972 and 115.8 in the fourth quarter of 1973 for an over-the-year increase of 0.9 percent.

Hourly compensation went up 7.8 percent in 1973, a full percentage point more than the rise for the preceding year. The increase in hourly compensation, the greatest annual rise since 1951, was reflected in the 4.7 percent rise in unit labor costs. Unit labor costs, which reflects changes in compensation as well as changes in output per man-hour, have shown an average rate of increase of 4.7 percent per year over the 1965-1972 period. The fact that unit labor costs stayed at this level in 1973 in spite of the large increase in compensation per man-hour therefore reflects the moderating influence of the productivity increase.

Real hourly compensation (hourly compensation adjusted for changes in the CPI) went up 1.4 percent in 1973, the smallest increase since 1958. The small rise in real hourly compensation, which occurred while dollar compensation was rising at a brisk pace, is a result of the high rate of increase of the Consumer Price Index (6.2 percent). The annual increase in real hourly compensation is attributable primarily to the rise which occurred in the first quarter of 1973.

Nonfarm output per man-hour rose 3.1 percent, compared with a 4.2 percent rise the year before. In this year as in 1972, nonfarm productivity rose more than for the entire private economy because a decline occurred in farm productivity.

Nonfarm hourly compensation rose 7.6 percent compared with 6.9 percent the year before, while real hourly compensation rose 1.3 percent (compared with 3.5 percent in 1972). As in the private economy as a whole, most of the increase in hourly compensation was offset by the rise in the CPI. Unit labor costs in the nonfarm sector rose 4.4 percent in 1973. In contrast to the private economy, this was somewhat lower than the 1965-1972 average rise of 4.7 percent.

In the manufacturing sector, output per man-hour rose 4.7 percent in 1973, substantially more than the long-term rate of 3.0 percent.

Output in the manufacturing sector went up 9.7 percent -- the largest annual increase since 1965. At the same time, manufacturing man-hours continued to move ahead at a faster rate than in recent years.

Hourly compensation went up 7.9 percent in 1973 (compared with 6.3 percent in 1972), while real hourly compensation rose 1.5 percent (compared with 2.9 percent in 1972). Unit labor costs in manufacturing rose 3.1 percent in 1973, compared with a 0.9 percent rise in 1972. The more rapid rate of increase in these costs reflected the higher rate of growth in hourly compensation and the slowing of productivity gains.

Table B. Annual Percent Change in Productivity and Costs
(Preliminary Data)

	<u>1972</u>	<u>1973</u>
<u>Total Private</u>		
Output per man-hour	3.8	2.9
Compensation per man-hour	6.8	7.8
Unit labor costs	2.9	4.7
Real compensation per man-hour	3.5	1.4
<u>Private Nonfarm</u>		
Output per man-hour	4.2	3.1
Compensation per man-hour	6.9	7.6
Unit labor costs	2.6	4.4
Real compensation per man-hour	3.5	1.3
<u>Manufacturing</u>		
Output per man-hour	5.4	4.7
Compensation per man-hour	6.3	7.9
Unit labor costs	0.9	3.1
Real compensation per man-hour	2.9	1.5

Revised Data for Nonfinancial Corporations, Third Quarter 1973

The Bureau of Labor Statistics also announced revisions to the third quarter measures of output per man-hour and related series today. These revisions are based on the final estimates of the underlying series. (See table 4.)

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								
I	110.7	114.5	103.5	139.4	112.7	125.9	112.6	120.7
II	112.5	117.4	104.4	141.4	113.4	125.7	114.1	121.2
III	113.3	119.1	105.1	143.1	113.8	126.3	115.4	122.0
IV	114.8	121.5	105.9	145.7	114.8	126.9	117.0	123.1
Annual Avg.	112.8	118.1	104.7	142.4	113.7	126.2	114.8	121.8
1973								
I	116.4r	124.2	106.7r	149.6r	116.2r	128.5	118.9	124.8
II	116.1r	125.0	107.7r	151.9r	115.6r	130.9	121.1	127.1
III	116.2r	126.1	108.6r	154.6r	115.1	133.1r	123.4r	129.3
IV	115.8p	126.5p	109.2p	157.6p	114.6p	136.1p	124.9p	131.8p
Annual Avg.	116.1p	125.5p	108.1p	153.5p	115.3p	132.2p	122.1p	128.3p
<u>Percent Change Over Previous Quarter at Annual Rate <u>5/</u></u>								
1972								
I	2.1	5.4	3.2	9.9	6.3	7.6	0.5	4.9
II	6.5	10.4	3.6	5.9	2.8	-0.5	5.4	1.5
III	3.1	5.8	2.6	4.9	1.2	1.7	4.6	2.8
IV	5.2	8.4	3.0	7.4	3.6	2.0	6.0	3.5
Annual Avg. <u>6/</u>	3.8	6.5	2.7	6.8	3.5	2.9	2.8	2.9
1973								
I	5.8r	9.3	3.3r	11.3r	5.2r	5.2	6.6	5.7
II	-1.2r	2.6	3.8r	6.3r	-2.3r	7.6	7.4	7.5
III	0.4r	3.6	3.2r	7.3r	-1.7r	6.9r	7.9r	7.3
IV	-1.3p	1.2p	2.5p	8.0p	-1.7p	9.3p	5.0p	7.7p
Annual Avg.	2.9p	6.2p	3.2p	7.8p	1.4p	4.7p	6.4p	5.3p
<u>Percent Change Over Previous Year <u>7/</u></u>								
1972								
I	3.0	4.9	1.8	7.2	3.5	4.0	2.1	3.3
II	4.1	6.6	2.4	7.0	3.7	2.8	2.1	2.5
III	3.7	7.2	3.3	6.3	3.1	2.4	2.6	2.5
IV	4.2	7.5	3.1	7.0	3.5	2.6	4.1	3.2
1973								
I	5.2r	8.5	3.1r	7.3r	3.2r	2.1	5.6	3.4
II	3.2r	6.5	3.2r	7.4r	1.9r	4.1	6.1	4.9
III	2.5	5.9	3.3r	8.0r	1.1r	5.4r	7.0r	6.0
IV	0.9p	4.1p	3.2p	8.2p	-0.2p	7.3p	6.7p	7.1p

See footnotes at end of table 4.

p = preliminary

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 ^{1/}	Real Compensation per man-hour ^{2/}	Unit labor cost	Unit non-labor payments ^{3/}	Implicit price deflator ^{4/}
1972								
I	109.8	114.9	104.6	137.8	111.4	125.5	112.5	120.6
II	111.3	117.9	105.9	139.5	111.9	125.3	113.5	120.8
III	112.9	119.9	106.2	141.8	112.7	125.6	114.5	121.4
IV	114.2	122.3	107.1	144.2	113.6	126.2	115.8	122.3
Annual Avg.	112.1	118.7	106.0	140.9	112.4	125.7	114.0	121.3
1973								
I	115.6	125.1	108.2	147.9	114.9	127.9	116.4	123.6
II	115.3r	126.3	109.5	149.8	113.9	129.8	118.0	125.4
III	115.9r	127.6	110.2	152.7	113.6r	131.8r	118.6r	126.8
IV	115.1p	127.5p	110.7p	155.7p	113.2p	135.2p	118.6p	128.9p
Annual Avg.	115.5p	126.6p	109.6p	151.6p	113.9p	131.2p	117.9p	126.2p
<u>Percent Change Over Previous Quarter at Annual Rate ^{5/}</u>								
1972								
I	2.5	5.6	3.0	9.9	6.3	7.2	-0.4	4.4
II	5.7	11.0	5.0	5.2	2.0	-0.5	3.7	1.0
III	5.6	7.0	1.3	6.7	2.9	1.0	3.6	1.9
IV	4.7	8.3	3.4	6.8	3.1	2.0	4.4	2.9
Annual Avg. ^{6/}	4.2	7.0	2.7	6.9	3.5	2.6	1.8	2.3
1973								
I	5.0	9.2	4.0	10.7	4.6	5.4	2.4	4.3
II	-0.8	3.9	4.8	5.3	-3.3r	6.2	5.4	5.9
III	1.8r	4.4	2.6r	8.0r	-1.1r	6.1r	2.2r	4.7
IV	-2.4p	-0.4p	2.1p	8.3p	-1.4p	10.9p	-0.2p	6.9p
Annual Avg.	3.1p	6.6p	3.5p	7.6p	1.3p	4.4p	3.4p	4.0p
<u>Percent Change Over Previous Year ^{7/}</u>								
1972								
I	3.5	5.2	1.7	7.3	3.7	3.7	1.4	2.9
II	4.1	7.0	2.8	6.6	3.3	2.4	1.4	2.1
III	4.4	7.8	3.2	6.6	3.4	2.0	1.4	1.8
IV	4.6	8.0	3.2	7.1	3.6	2.4	2.8	2.5
1973								
I	5.3	8.9	3.4	7.3	3.2	1.9	3.5	2.5
II	3.6	7.1	3.4	7.3r	1.8	3.6	3.9	3.7
III	2.6	6.4	3.7	7.7	0.8	4.9r	3.6r	4.4
IV	0.8p	4.2p	3.4p	8.0p	-0.3p	7.1p	2.4p	5.4p

See footnotes at end of table 4

p = preliminary

r = revised

Table 3. Manufacturing Sector: Output per Man-hour, Hourly Compensation, Unit Labor Costs, Seasonally Adjusted, (Indexes 1967 = 100)

Year and Quarter	Output per man-hour	Output ^{8/}	Man-hours	Compensation per man-hour ^{1/}	Real Compensation per man-hour ^{2/}	Unit Labor Cost
1972						
I	118.6	113.0	95.3	136.4	110.3	115.1
II	120.7	117.1	97.0	138.1	110.7	114.4
III	123.2	120.3	97.6	139.6	110.9	113.3
IV	124.9	124.4	99.6	141.9	111.8	113.6
Annual Avg.	121.8	118.6	97.4	139.0	110.9	114.1
1973						
I	126.1	127.5	101.1	145.6	113.1	115.4
II	127.3	129.9	102.0	148.5	112.9	116.6
III	129.0	131.7	102.1	151.8r	112.9	117.6
IV	127.8p	132.0p	103.3p	143.8p	111.7p	120.3p
Annual Avg.	127.5p	130.2p	102.1p	149.9p	112.6p	117.6p
<u>Percent Change Over Previous Quarter at Annual Rate ^{5/}</u>						
1972						
I	7.8	12.2	4.1	11.1	7.6	3.1
II	7.4	15.3	7.4	4.9	1.6	-2.3
III	8.6	11.4	2.6	4.4	0.8	-3.8
IV	5.7	14.3	8.2	6.8	3.2	1.1
Annual Avg. ^{6/}	5.4	8.9	3.4	6.3	2.9	0.9
1973						
I	3.9	10.3	6.2	10.8	4.7	6.6
II	3.8	7.7	3.8	8.2	-0.7	4.2
III	5.5	5.7	0.1	9.2r	0.1	3.5r
IV	-3.8p	0.9p	4.9p	5.4p	-4.1p	9.5p
Annual Avg.	4.7p	9.7p	4.8p	7.9p	1.5p	3.1p
<u>Percent Change Over Previous Year ^{7/}</u>						
1972						
I	4.3	5.2	0.9	6.3	2.7	2.0
II	4.1	7.1	2.9	6.2	2.9	2.0
III	5.8	10.4	4.3	5.9	2.7	0.1
IV	7.4	13.3	5.5	6.8	3.2	-0.5
1973						
I	6.4	12.8	6.1	6.7	2.6	0.3
II	5.5	10.9	5.2	7.5	2.0	1.9
III	4.7	9.5	4.5	8.7	1.8r	3.8
IV	2.3p	6.1p	3.7p	8.4p	-0.1p	5.9p

See footnotes at end of table 4.

p = preliminary

r = revised

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-hours	Compensation per man-hour ^{1/}	Real Compensation per man-hour ^{2/}	Unit labor cost	Unit non-labor costs ^{3/}	Total Unit Cost ^{10/}	Unit Profits ^{11/}	Implicit price deflator
1972										
I	116.6	118.5	101.6	138.8	112.2	119.1	126.3	120.8	83.0	115.1
II	117.3	120.9	103.1	140.2	112.5	119.6	127.3	121.5	82.6	115.6
III	118.3	122.4	103.5	142.3	113.1	120.2	126.5	121.8	84.9	116.2
IV	119.3	125.5	105.2	144.0	113.5	120.7	126.6	122.1	89.0	117.1
Annual Avg.	117.9	121.9	103.4	141.3	112.8	119.9	126.7	121.6	84.8	116.0
1973										
I	121.4	129.0	106.2	148.2	115.1	122.0	125.9	123.0	91.4	118.2
II	121.7	130.6	107.3	150.5	114.5	123.7	126.5	124.4	92.7	119.6
III	123.1r	132.5r	107.7	153.8r	114.4	124.9r	126.7r	125.4r	94.8r	120.7
<u>Percent Change Over Previous Quarter at Annual Rate^{5/}</u>										
1972										
I	4.7	9.0	4.1	11.5	7.9	6.5	-4.2	3.6	15.6	4.9
II	2.5	8.6	6.0	4.1	1.0	1.6	3.1	2.0	-2.0	1.6
III	3.6	5.1	1.5	5.9	2.2	2.3	-2.4	1.1	12.0	2.2
IV	3.4	10.4	6.8	4.9	1.3	1.4	0.3	1.1	20.4	3.2
Annual Avg. ^{6/}	4.0	7.4	3.3	6.8	3.4	2.7	-0.4	1.9	5.8	2.3
1973										
I	7.3	11.6	4.0	12.1	5.9	4.4	-2.0	2.8	11.6	3.8
II	1.0	5.0	4.0	6.6	-2.1	5.5	1.7	4.6	5.5	4.7
III	4.6r	6.1r	1.5r	9.0r	-0.2r	4.2r	0.6r	3.3r	9.4r	4.0
<u>Percent Change Over Previous Year^{7/}</u>										
1972										
I	4.7	6.4	1.6	7.4	3.8	2.6	-0.6	1.8	5.7	2.2
II	4.3	7.2	2.9	6.9	3.5	2.5	0.6	2.0	1.9	2.0
III	3.6	7.7	4.0	6.3	3.1	2.7	-0.9	1.7	4.9	2.1
IV	3.5	8.3	4.6	6.6	3.1	3.0	-0.8	2.0	11.2	2.9
1973										
I	4.2	8.9	4.5	6.7	2.6	2.5	-0.3	1.8	10.2	2.7
II	3.8	8.0	4.0	7.3	1.8	3.4	-0.6	2.4	12.3	3.4
III	4.0r	8.2r	4.0r	8.1r	1.2r	3.9r	0.2r	2.9r	11.6r	3.9

See footnotes at end of table 4.
r = revised p = preliminary

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

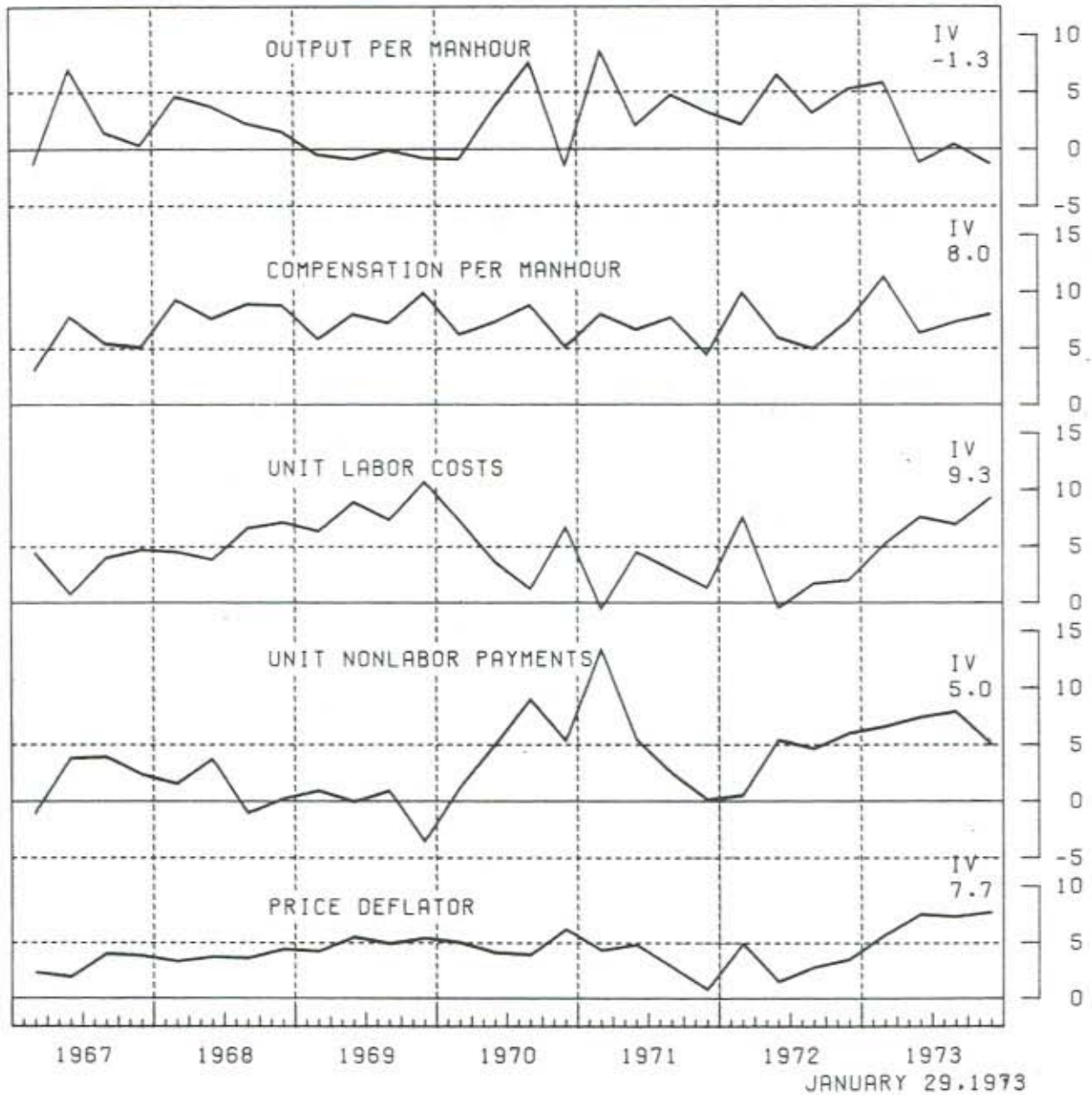


CHART 2. PRODUCTIVITY, HOURLY
 COMPENSATION, UNIT COSTS AND PRICES
 PRIVATE NONFARM SECTOR
 (PERCENT CHANGE FROM PRECEDING
 QUARTER AT ANNUAL RATE)

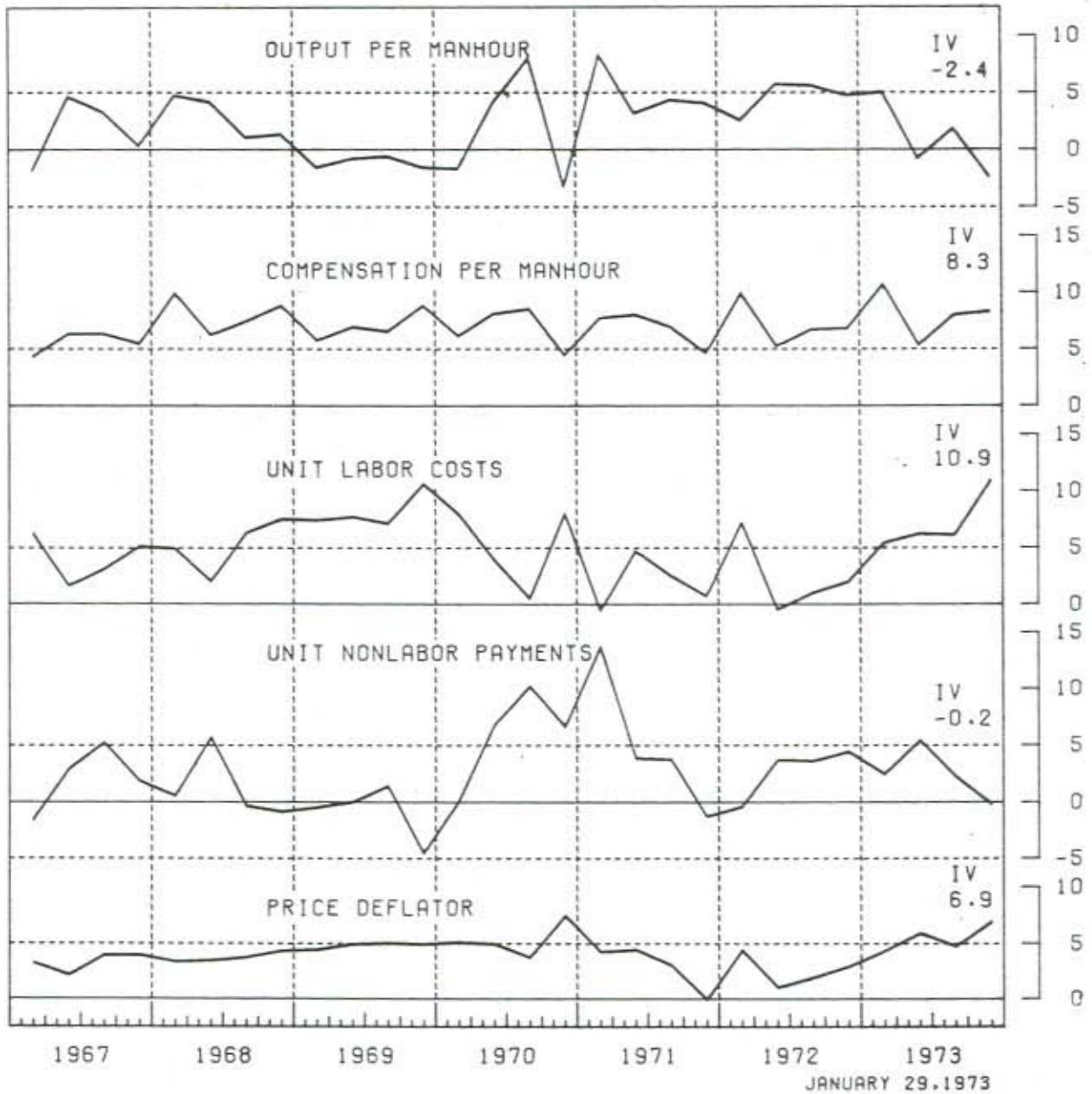


CHART 3. PRODUCTIVITY, HOURLY
 COMPENSATION, UNIT COSTS AND PRICES
 NONFINANCIAL CORPORATIONS
 (PERCENT CHANGE FROM SAME
 QUARTER A YEAR AGO)

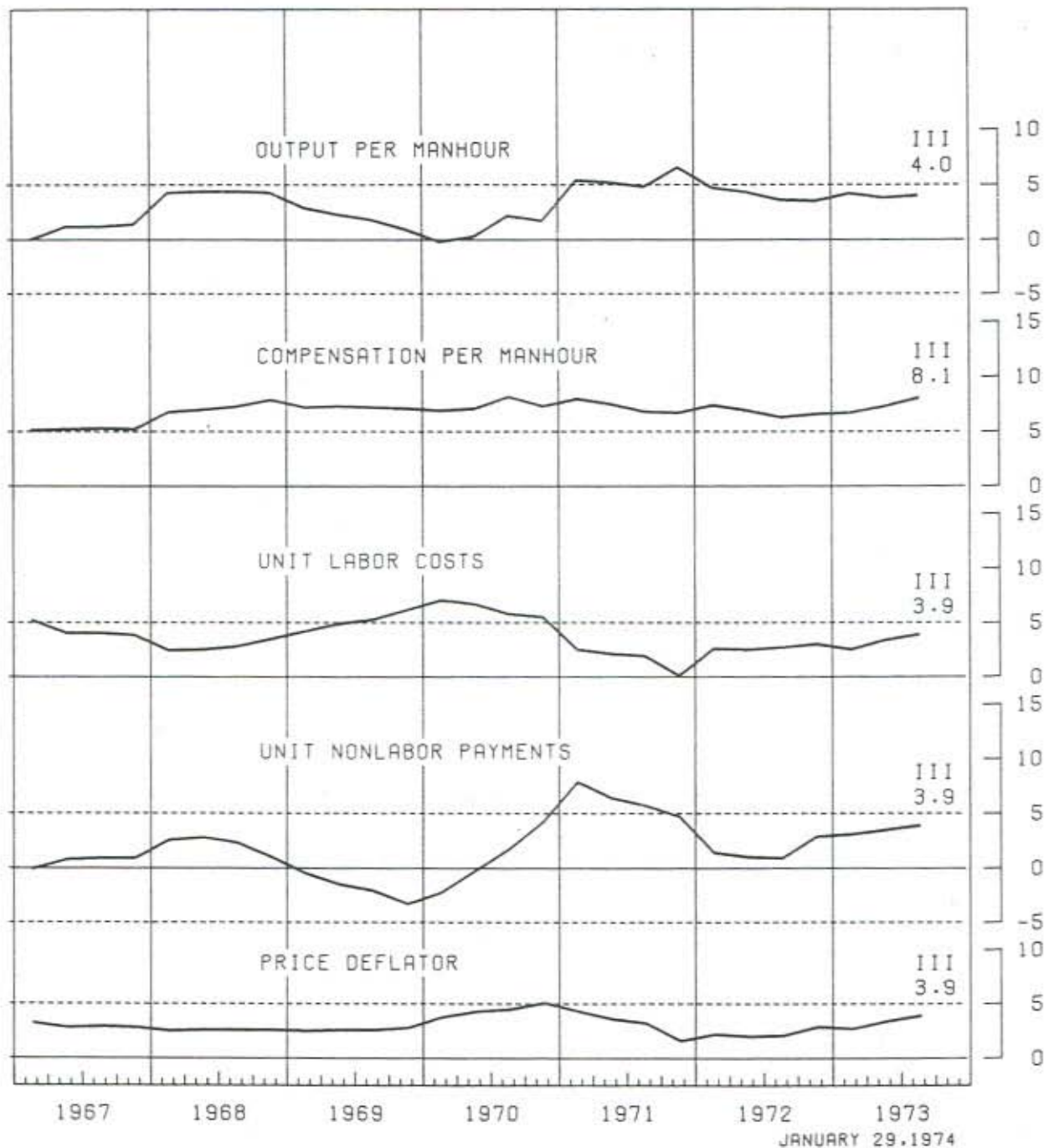


CHART 4.
 UNIT COSTS, UNIT PROFITS, AND PRICES
 NONFINANCIAL CORPORATIONS
 (PERCENT CHANGE FROM SAME
 QUARTER A YEAR AGO)

