

# NEWS



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### Productivity and Costs in Nonfinancial Corporations, Annual Data for 1973 (and Revised Figures for the Private Economy, Fourth Quarter 1973)

Productivity in the nonfinancial corporate sector increased 3.6 percent from 1972 to 1973, the Bureau of Labor Statistics of the U.S. Department of Labor reported today. The gain was not as large as in the preceding year but was greater than the 3 percent long-term average annual rate over the last two decades. Hourly compensation increased 7.6 percent from 1972 to 1973, a rate greater than the rise from 1971 to 1972. Consequently the rate of increase in unit labor costs (which reflects the difference between the changes in hourly compensation and output per man-hour) accelerated to 3.9 percent.

A summary of the new corporate data appears in table A. Full details are given in table 4.

Table A. Percent Change Over Previous Year in Productivity and Costs in Nonfinancial Corporations

	1972	1973*
Output per man-hour	4.0	3.6
Compensation per man-hour	6.8	7.6
Unit labor costs	2.7	3.9
Real compensation per man-hour	3.4	1.2

\* Figures for 1973 are preliminary

Revised figures on output per man-hour in the total private economy, nonfarm sector, and manufacturing sector for the fourth quarter of last year were also issued today. (See table B below and tables 1-3 for additional details.)

They indicated a somewhat smaller productivity decline for the quarter than those previously reported as a result of upward revisions in the gross national product measures and the manufacturing production index. The fourth quarter decline in output per man-hour in the private sector was 0.8 percent instead of the previously reported 1.3 percent. The revision in the output measure was greater than the revision in man-hours. The revised output figure for the nonfarm sector is -1.9 percent and for manufacturing -3.0 percent. As a result of these revisions, the increase in output per man-hour from the fourth quarter of 1972 to the fourth quarter of 1973 was 1.0 percent for the total private economy.

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

	3rd Quarter 1973 to 4th Quarter 1973	4th Quarter 1972 to 4th Quarter 1973
<u>Total Private (revised)</u>		
Output per man-hour	-0.8	1.0
Compensation per man-hour	8.0	8.2
Unit labor costs	8.9	7.1
Real compensation per man-hour	-1.6	-0.2
<u>Private Nonfarm (revised)</u>		
Output per man-hour	-1.9	1.0
Compensation per man-hour	8.4	8.1
Unit labor costs	10.4	7.0
Real compensation per man-hour	-1.3	-0.3
<u>Manufacturing (revised)</u>		
Output per man-hour	-3.0	2.5
Compensation per man-hour	5.4	8.4
Unit labor costs	8.7	5.8
Real compensation per man-hour	-4.1	-0.0

The BLS reported that the 3.6 percent productivity gain for nonfinancial corporations from 1972 to 1973 resulted from a 7.7 percent gain in output and a 4.0 percent increase in man-hours. In contrast, the 4.0 percent rate for productivity growth in 1972 reflected a smaller gain in output of 7.4 percent associated with an increase in man-hours of 3.3 percent.

The 7.6 percent gain in hourly compensation was greater than the rate for 1972 and was the largest annual increase reported.

Real hourly compensation (compensation per man-hour adjusted for changes in the Consumer Price Index) rose by 1.2 percent in the nonfinancial corporate sector in 1973. This was lower than the rate which occurred during 1972 when real hourly compensation rose 3.4 percent. The increase in hourly compensation slackened as a result of the larger increase in the Consumer Price Index in 1973.

The 3.9 percent rise in unit labor costs for this sector was greater than in 1972 but was below the 1966 - 1972 average annual rate of 4.0 percent.

In 1973, unit non-labor costs (including capital consumption allowances, net interest, and indirect business taxes) rose by 0.1 percent and total unit costs (i.e., labor and nonlabor costs combined) rose 2.9 percent. Profits per unit of output continued to improve, rising 9.9 percent in 1973.

The implicit price deflator (which reflects changes in unit labor costs, unit nonlabor costs, and unit profits) increased 3.7 percent in 1973, compared with a 2.3 percent rise the year before.

The increase in the demand for labor in the corporate sector, as reflected in the man-hours gain, was primarily due to an expansion of employment. Employment rose 4.2 percent while the average workweek declined 0.1 percent. Employment in nonfinancial corporations surpassed the previous peak, which occurred in 1969.

(See table C.)

Table C. Index of Employment in  
Nonfinancial Corporations  
1967 = 100

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1966	98.2
1967	100.0
1968	102.3
1969	105.3
1970	104.0
1971	102.4
1972	105.1
1973	109.5

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TABLE 1. TOTAL PRIVATE ECONOMY: OUTPUT PER MAN-HOUR  
HOURLY COMPENSATION, UNIT COST, AND PRICES, SEASONALLY ADJUSTED

YEAR AND QUARTER	OUTPUT PER MAN-HOUR	OUTPUT	MAN-HOURS	COMPENSA-TION PER MAN-HOUR (1)	HE&L COMPENSA-TION PER MAN-HOUR (2)	UNIT LABOR COSTS	UNIT NON-LABOR PAY-MENTS (3)	IMPLICIT PRICE DEFLATOR (4)
INDEXES 1967=100								
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	113.9	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	112.8	118.1	104.7	142.4	113.7	126.2	114.8	121.8
1973								
I	116.4	124.2	106.7	149.6	116.2	128.5	118.9	124.8
II	116.1	125.0	107.7	151.9	115.6	130.9	121.1	127.1
III	116.2	126.1	108.6	154.6	115.1	133.1	123.4	129.3
IV	115.9r	126.6r	104.2	157.6	114.6	136.0r	125.9r	132.0r
ANNUAL	116.1	125.5	108.0r	153.5	115.3	132.2	122.3r	128.3
PERCENT CHANGE OVER PREVIOUS QUARTER AT ANNUAL RATE (5)								
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	3.8	6.5	2.7	6.8	3.5	2.9	2.8	2.9
1973								
I	5.8	9.3	3.3	11.3	5.2	5.2	6.6	5.7
II	-1.2	2.6	3.8	6.3	-2.3	7.6	7.4	7.5
III	0.4	3.6	3.2	7.3	-1.7	6.9	7.9	7.3
IV	-0.8r	1.5r	2.3r	8.0	-1.6r	8.9r	8.2r	8.6r
ANNUAL	2.9	6.2	3.2	7.8	1.4	4.7	6.6r	5.4r
PERCENT CHANGE OVER PREVIOUS YEAR (6)								
1972								
I	3.0	4.9	1.8	7.2	3.5	4.0	2.1	3.3
II	4.1	6.4	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
ANNUAL	3.8	6.5	2.7	6.8	3.5	2.9	2.8	2.9
1973								
I	5.2	8.5	3.1	7.3	3.2	2.1	5.6	3.4
II	3.2	6.5	3.2	7.4	1.9	4.1	6.1	4.9
III	2.5	5.9	3.3	8.0	1.1	5.4	7.0	6.0
IV	1.0r	4.2r	3.1r	8.2	-0.2	7.1r	7.6	7.3r
ANNUAL	2.9	6.2	3.2	7.8	1.4	4.7	6.6r	5.4r

SEE FOOTNOTES AT END OF TABLE 4.  
R=REVISED  
P=PRELIMINARY

FEBRUARY 27, 1974  
SOURCE: BUREAU OF LABOR STATISTICS

TABLE 2. PRIVATE NONFARM (CONGDMY) OUTPUT PER MAN-HOUR  
HOURLY COMPENSATION, UNIT COST, AND PRICES, SEASONALLY ADJUSTED

YEAR AND QUARTER	OUTPUT PER MAN-HOUR	OUTPUT	MAN-HOURS	COMPENSA-TION PER MAN-HOUR (1)	REAL COMPENSA-TION PER MAN-HOUR (2)	UNIT LABOR COSTS	UNIT NON-LABOR PAY-MENTS (3)	IMPLICIT PRICE DEFLATOR (4)
INDEXES 1967=100								
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	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	115.3	126.3	109.5	149.8	113.9	129.8	118.0	125.4
III	115.9	127.6	110.2	152.7	113.6	131.8	118.6	126.8
IV	115.3 r	127.6 r	110.7	155.8 r	113.2	135.1 r	119.6 r	129.2 r
ANNUAL	115.5	126.6	109.6	151.6	113.9	131.2	118.2 r	126.3 r
PERCENT CHANGE OVER PREVIOUS QUARTER AT ANNUAL RATE (5)								
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	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	-3.3	6.2	5.4	5.9
III	1.8	4.4	2.6	8.0	-1.1	6.1	2.2	4.7
IV	-1.9 r	-0.1 r	1.8 r	8.4 r	-1.3 r	10.4 r	3.4 r	7.9 r
ANNUAL	3.1	6.6	3.5	7.6	1.3	4.4	3.6 r	4.1 r
PERCENT CHANGE OVER PREVIOUS YEAR (6)								
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
ANNUAL	4.2	7.0	2.7	6.9	3.5	2.6	1.8	2.3
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	7.3	1.8	3.6	3.9	3.7
III	2.6	6.4	3.7	7.7	0.8	4.9	3.6	4.4
IV	1.0 r	4.3 r	3.3 r	8.1 r	-0.3	7.0 r	3.3 r	5.7 r
ANNUAL	3.1	6.6	3.5	7.6	1.3	4.4	3.6 r	4.1 r

SEE FOOTNOTES AT END OF TABLE 4.

R=REVISED

P=PRELIMINARY

FEBRUARY 27, 1974

SOURCE: BUREAU OF LABOR STATISTICS

Table 3. Manufacturing Sector: Output per Man-hour, Hourly Compensation, Unit Labor Costs, Seasonally Adjusted

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 Cost
<u>Indexes 1967 = 100</u>						
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	131.6r	102.0r	151.8	113.0r	117.7
IV	128.0r	132.1r	103.2r	153.8r	111.8r	120.2r
Annual Avg.	127.5	130.2	102.1	149.9	112.7r	117.6
<u>Percent Change Over Previous Quarter at Annual Rate <u>5/</u></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 <u>6/</u>	14.3	8.2	6.8	3.2	1.1
Annual Avg.	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	5.4r	5.3r	-0.0r	9.3r	0.2r	3.8r
IV	-3.0r	1.5r	4.7r	5.4	-4.1	8.7r
Annual Avg.	4.7	9.7	4.8	7.9	1.6r	3.1
<u>Percent Change Over Previous Year <u>7/</u></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	10.0	5.2	7.5	2.0	1.9
III	4.7	9.4r	4.5	8.8r	1.8	3.9r
IV	2.5r	6.2r	3.6r	8.4	-0.0r	5.8r

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

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 8/	Total Unit Cost 9/	Unit Profits 10/	Implicit price deflator
Indexes 1967 = 100										
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	123.1	132.5	107.7	153.8	114.4	124.9	126.7	125.4	94.8	120.7
IV	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Annual Avg.	122.1p	131.3p	107.6p	152.0p	114.2p	124.6p	126.8p	125.1p	93.2p	120.3p
Percent Change Over Previous Quarter at Annual Rate 5/										
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.	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	4.6	6.1	1.5	9.0	-0.2	4.2	0.6	3.3	9.4	4.0
IV	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Annual Avg.	3.6p	7.7p	4.0p	7.6p	1.2p	3.9p	0.1p	2.9p	9.9p	3.7p
Percent Change Over Previous Year 6/										
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	3.5	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	4.0	8.2	4.0	3.1	1.2	3.3	0.2	2.9	11.6	3.9
IV	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

See footnotes at end of table 4.

r = revised

p = 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/ Current quarter divided by comparable quarter a year ago.

7/ Quarterly measures adjusted to annual estimates of output (gross product originating) from the Bureau of Economic Analysis, U.S. Department of Commerce.

8/ Unit nonlabor costs include depreciation, interest and indirect taxes.

9/ Total unit costs is the sum of labor and non-labor costs.

10/ 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)

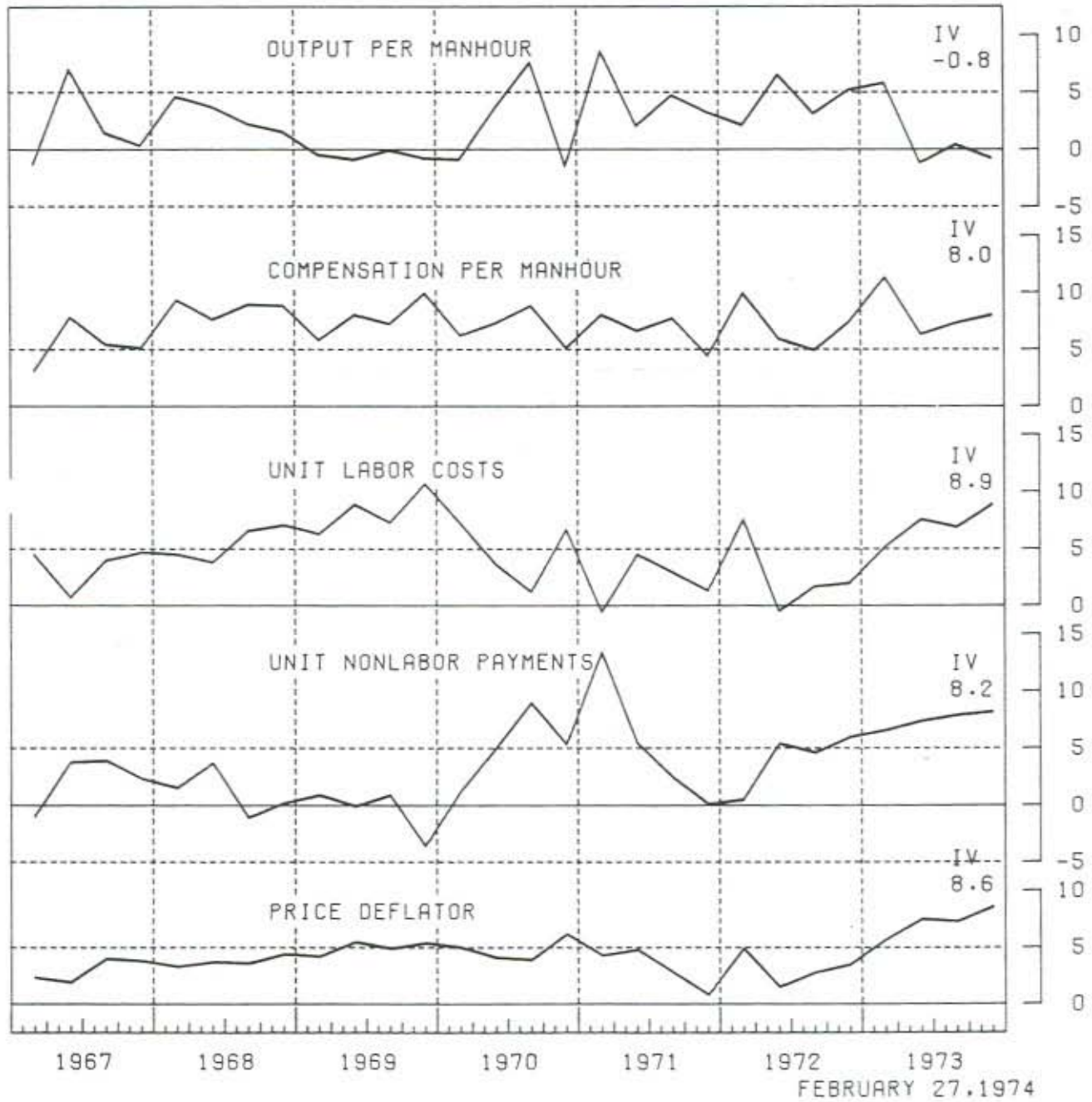


CHART 2. PRODUCTIVITY, HOURLY  
 COMPENSATION, UNIT COSTS AND PRICES  
 PRIVATE NONFARM SECTOR  
 (PERCENT CHANGE FROM PRECEDING  
 QUARTER AT ANNUAL RATE)

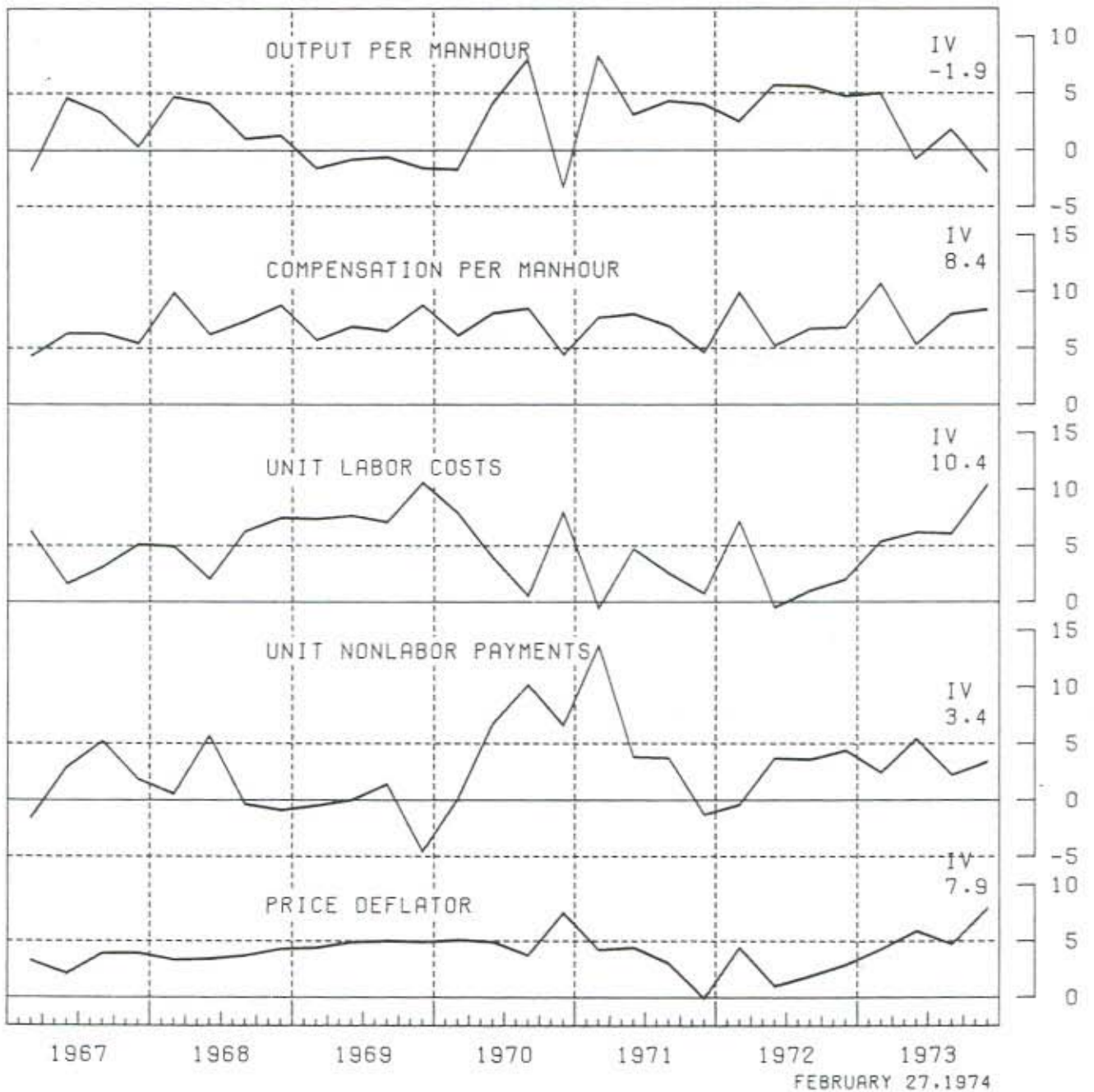


CHART 3. PRODUCTIVITY, HOURLY  
 COMPENSATION, UNIT COSTS AND PRICES  
 NONFINANCIAL CORPORATIONS  
 (PERCENT CHANGE FROM SAME  
 QUARTER A YEAR AGO)

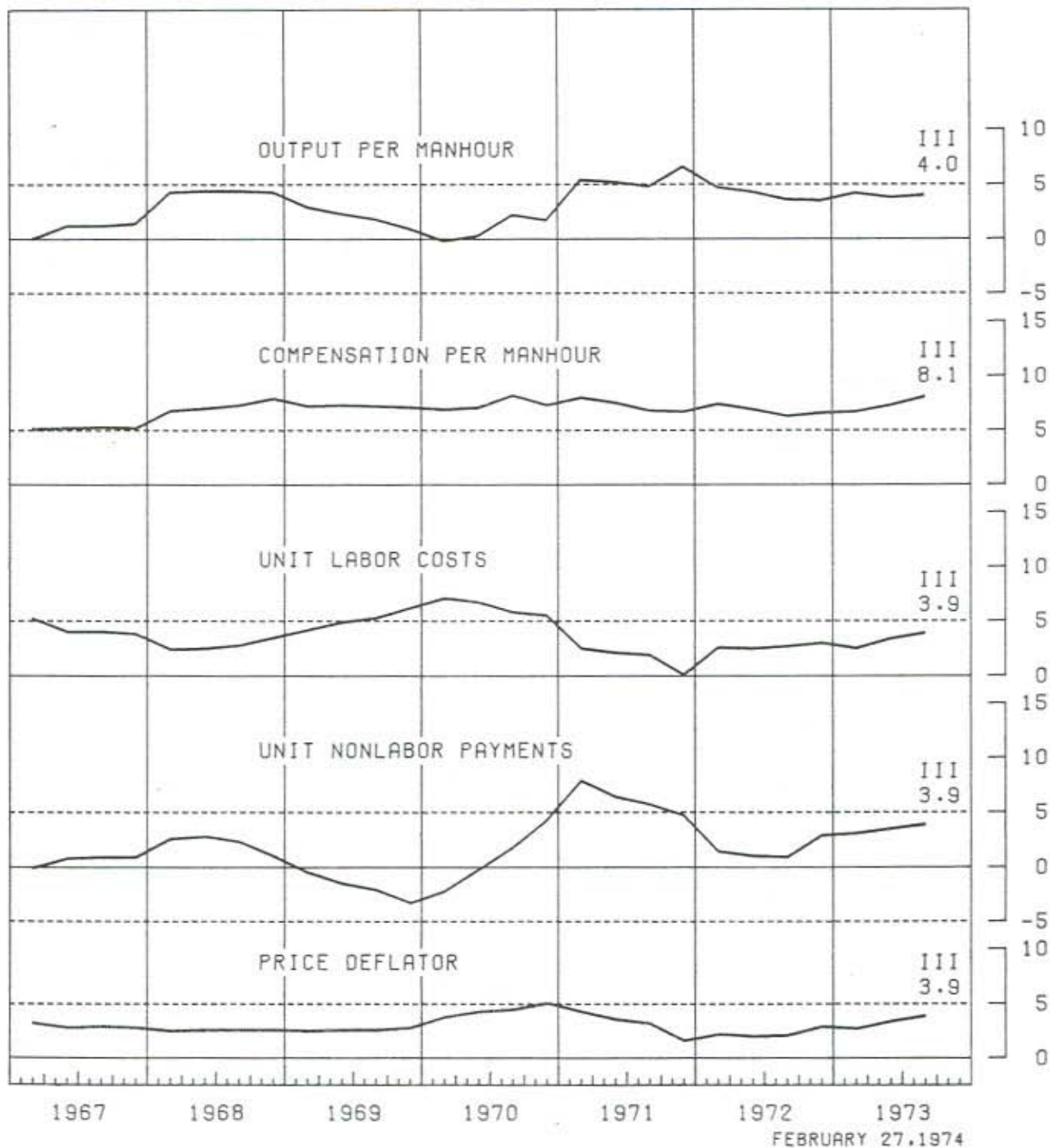


CHART 4.  
 UNIT COSTS, UNIT PROFITS, AND PRICES  
 NONFINANCIAL CORPORATIONS  
 (PERCENT CHANGE FROM SAME  
 QUARTER A YEAR AGO)

