

NEWS



U. S. DEPARTMENT OF LABOR BUREAU OF LABOR STATISTICS

Washington, D.C. 20212
Mr. L.J. Fulco (202) 961-4597
Ms. K.D. Hoyle (202) 961-2913
Home (202) 331-1384

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PRODUCTIVITY AND COSTS IN THE PRIVATE ECONOMY, SECOND QUARTER 1974 (and Revised Data for Nonfinancial Corporations, First Quarter 1974)

Productivity in the private economy increased slightly in the second quarter of 1974 (up 0.8 percent at an annual rate), the Bureau of Labor Statistics of the U.S. Department of Labor announced today. The rise in productivity (output per man-hour) came after four consecutive quarters of decline or of no growth. The increase in first quarter productivity resulted from a relatively large decline in man-hours (2.3 percent) while output declined 1.5 percent. During the first quarter of 1974, productivity fell 7.1 percent.

The statistical revisions for the period ending with the fourth quarter of 1973 contained in this release reflect changes in the compensation and output measures published by the Bureau of Economic Analysis (BEA) of the U.S. Department of Commerce.

In the nonfarm sector, output per man-hour declined at an annual rate of 2.9 percent in the second quarter, compared with a 5.2 percent decline one quarter earlier. The second quarter decline marked the fifth consecutive quarter of decline or no growth. It reflects a 2.3 percent decline in output and a 0.6 percent increase in man-hours from the first quarter (seasonally adjusted at an annual rate).

In manufacturing, output per man-hour increased 4.6 percent in the second quarter after decreasing 0.7 percent in the first quarter. This reflected a 1.5 percent increase in output combined with a 2.9 percent decline in man-hours.

From the second quarter of 1973 to the second quarter of 1974, output per man-hour fell 2.0 percent in the private sector, 2.2 percent in the nonfarm sector, and rose 1.3 percent in manufacturing. A summary of the second quarter data appears in table A. Details are given in tables 1-3.

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

	1st Quarter 1974 to 2nd Quarter 1974	2nd Quarter 1973 to 2nd Quarter 1974
<u>Total Private Economy</u> (Preliminary)		
Output per man-hour	0.8	-2.0
Compensation per man-hour	13.8	8.5
Unit labor costs	13.0	10.8
Real compensation per man-hour	1.2	-2.0
Output	-1.5	-1.4
Man-hours	-2.3	0.6
<u>Nonfarm Sector</u> (Preliminary)		
Output per man-hour	-2.9	-2.2
Compensation per man-hour	10.2	8.5
Unit labor costs	13.6	11.0
Real compensation per man-hour	-2.0	-2.0
Output	-2.3	-1.6
Man-hours	0.6	0.6
<u>Manufacturing</u> (Preliminary)		
Output per man-hour	4.6	1.3
Compensation per man-hour	13.9	9.2
Unit labor costs	9.0	7.9
Real compensation per man-hour	1.3	-1.3
Output	1.5	0.4
Man-hours	-2.9	-0.9

The increase in output per man-hour in the private sector during the second quarter was a result of larger declines in man-hours than in output -- 2.3 percent as against 1.5 percent; hence productivity moved up slightly (0.8 percent). The decline in man-hours reflected downward movements in both employment (1.3 percent) and average weekly hours (1.0 percent) in the second quarter.

In the nonfarm sector, the decline in output per man-hour (2.9 percent) occurred because both employment and man-hours rose (0.7 percent and 0.6 percent, respectively) and output declined (2.3 percent). Productivity increased in the total private sector because of a high rate of productivity growth in the volatile farm sector.

In manufacturing, output per man-hour rose (4.6 percent) since output rose (up 1.5 percent) and man-hours fell (2.9 percent). The decline in man-hours resulted from a small increase in employment (0.1 percent) combined with a 3.0 percent decline in average weekly hours.

COMPENSATION AND LABOR COSTS

Compensation per man-hour (which reflects wage costs, employer Social Security contributions, and other fringe benefits) rose 13.8 percent in the private economy during the second quarter, compared with a 6.4 percent increase in the preceding quarter. This increase in compensation (the largest quarterly increase since the first quarter of 1951), combined with the 0.8 percent rise in output per man-hour, resulted in a 13.0 percent increase in unit labor costs. Real compensation per man-hour (compensation per man-hour adjusted by the Consumer Price Index) rose 1.2 percent during the second quarter, the first increase in this measure since the first quarter of 1973.

In the nonfarm sector, compensation per man-hour rose 10.2 percent and output per man-hour fell 2.9 percent, and this was reflected in the 13.6 percent increase in unit labor costs. Real compensation per man-hour declined 2.0 percent during the second quarter, marking the fifth consecutive quarter of decline for this measure.

In manufacturing, compensation per man-hour increased 13.9 percent, reflecting a 10.6 percent rise in total compensation and a 2.9 percent decline in man-hours. This was the largest increase in compensation per man-hour since the fourth quarter of 1950. Unit labor costs rose 9.0 percent in the second quarter while real compensation per man-hour increased 1.3 percent. The increase in real compensation followed four consecutive quarters of decline.

REVISED FIGURES FOR NONFINANCIAL CORPORATIONS

Revised output per man-hour and related measures in nonfinancial corporations for the first quarter of 1974 were also released today. These new measures reflect the one-quarter revisions in man-hours and employment as well as output revisions prior to the fourth quarter of 1973 published by the BEA. See table 4.

EFFECTS OF DATA REVISIONS

The statistical revisions presented in this release are based on revised output and compensation measures published by the Bureau of Economic Analysis, U.S. Department of Commerce. In the private economy, downward revisions in the rate of growth of output in mid-1973 resulted in a decline in output per man-hour from the second to the third quarter (-1.5 percent at an annual rate) rather than the increase of 0.4 percent reported earlier). Likewise, for the first quarter of 1974, the downward revision of the revised output measure was reflected in the 7.1 percent decline in output per man-hour (at an annual rate) which had previously been reported as a 6.4 percent decline.

In the nonfarm sector, output in the second and third quarters of 1973 was also lower in the revised figures than had previously been reported, and this contributed to the reduction in the rate of growth of productivity in the second quarter from -0.8 to -2.2 percent. From the fourth quarter of 1973 to the first quarter of 1974, productivity was also lower, based on the revised series (down 5.2 percent rather than 4.5 percent).

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	Compensation per man-hour (1)	Real Compensation per man-hour (2)	Unit Labor Costs	Unit Non-Labor Payments (3)	Implicit Price Deflator (4)
<u>Indexes 1967 = 100</u>								
1973								
I	117.0r	124.9r	106.7	149.9r	116.5r	128.1r	119.5r	124.8
II	116.6r	125.6r	107.7	152.1r	115.7r	130.5r	121.8r	127.1
III	116.1r	126.1	108.6	154.2r	114.7r	132.8r	125.0r	129.8r
IV	116.1r	126.8r	109.2	157.3r	114.4r	135.5r	127.8r	132.5r
Annual Avg.	116.5r	125.8r	108.0	153.5	115.3r	131.8r	123.5r	128.6r
1974								
I	114.0	124.2r	109.0	159.8r	113.0r	140.2r	130.9r	136.6r
II	114.2p	123.7p	108.4p	165.1p	113.4p	144.6p	131.9p	139.6p
<u>Percent Change Over Previous Quarter at Annual Rate (5)</u>								
1973								
I	6.5r	10.0r	3.3	13.1r	6.9r	6.1r	5.7r	6.0r
II	-1.6r	2.1r	3.8	5.9r	-2.7r	7.6	7.7r	7.6r
III	-1.5r	1.6r	3.2	5.6r	-3.3r	7.3r	11.1r	8.7r
IV	-0.0r	2.3r	2.3	8.5r	-1.2r	8.4r	9.2r	8.7r
Annual Avg.	2.9r	6.2	3.2	8.0r	1.7r	5.0r	7.0r	5.7r
1974								
I	-7.1r	-7.8r	-0.7	6.4r	-4.5r	14.6r	10.0r	12.9r
II	0.8p	-1.5p	-2.3p	13.8p	1.2p	13.0p	3.1p	9.2p
<u>Percent Change Over Previous Year (6)</u>								
1973								
I	5.3r	8.6r	3.1	7.9r	3.7r	2.4r	5.5r	3.6r
II	3.5r	6.8r	3.2	7.8r	2.2r	4.2r	6.4r	5.0r
III	2.1r	5.5r	3.3	8.0	1.0r	5.7r	7.7r	6.4r
IV	0.8r	4.0r	3.2	8.2	-0.2	7.4r	8.4r	7.7r
Annual Avg.	2.9r	6.2	3.2	8.0r	1.7r	5.0r	7.0r	5.7r
1974								
I	-2.6r	-0.5r	2.1	6.6	-3.0r	9.4r	9.5r	9.5r
II	-2.0p	-1.4p	0.6p	8.5p	-2.0p	10.8p	8.3p	9.9p

See footnotes following table 4.

r = revised

p = preliminary

SOURCE: Bureau of Labor Statistics

July 31, 1974

Table 2. Private Nonfarm Economy: Output per Man-hour
Hourly Compensation, Unit Cost, 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 payments (3)	Implicit Price Deflator (4)
Indexes 1967 = 100								
1973								
I	115.7r	125.2r	108.2	148.0r	115.0r	127.9	115.9r	123.4r
II	115.1r	126.0r	109.5	150.0r	114.1r	130.3r	116.4r	125.0r
III	115.1r	126.8r	110.2	152.4r	113.4r	132.4r	117.4r	126.7r
IV	114.9r	127.1r	110.7	155.7r	113.2	135.5r	119.6	129.5r
Annual Avg.	115.2r	126.3r	109.6	151.6	113.9	131.6r	117.3r	126.2r
1974								
I	113.3r	124.7r	110.0	158.9r	112.4r	140.2r	123.6r	133.9r
II	112.5p	123.9p	110.2p	162.8p	111.8p	144.7p	128.3p	138.5p
Percent Change Over Previous Quarter at Annual Rate (5)								
1973								
I	5.2r	9.4r	4.0	11.7r	5.5r	6.2r	-0.9r	3.6r
II	-2.2r	2.5r	4.8	5.4r	-3.2r	7.8r	1.7r	5.6r
III	-0.0r	2.5r	2.6	6.6r	-2.4r	6.6r	3.7r	5.6r
IV	-0.7r	1.1r	1.9	8.9r	-0.8r	9.7r	7.6r	9.0r
Annual Avg.	2.7r	6.2r	3.4	7.8r	1.4r	5.0r	2.5r	4.1
1974								
I	-5.2r	-7.5r	-2.4	8.4r	-2.7r	14.4r	14.0r	14.2r
II	-2.9p	-2.3p	0.6p	10.2p	-2.0p	13.6p	16.1p	14.4p
Percent Change Over Previous Year (6)								
1973								
I	5.1r	8.7r	3.4	7.6r	3.4r	2.4r	2.6r	2.4r
II	3.4r	6.9r	3.4	7.7r	2.1r	4.1r	2.3r	3.5r
III	1.8r	5.6r	3.7	7.7	0.8	5.8r	1.9r	4.4
IV	0.5r	3.8r	3.3	8.1	-0.3	7.6r	3.0r	5.9r
Annual Avg.	2.7r	6.2r	3.4	7.8r	1.4r	5.0r	2.5r	4.1
1974								
I	-2.1r	-0.4r	1.7	7.3r	-2.3r	9.6r	6.7r	8.5r
II	-2.2p	-1.6p	0.6p	8.5p	-2.0p	11.0p	10.2p	10.7p

See footnotes following table 4.

r= revised

p = preliminary

SOURCE: Bureau of Labor Statistics
July 31, 1974

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

Year and Quarter	Output per man-hour	Output (7)	Man-hours	Compensation per man-hour (1)	Real Compensation per man-hour (2)	Unit Labor Cost
<u>Indexes 1967 = 100</u>						
1973						
I	128.5r	129.9r	101.1	144.7r	112.5r	112.6r
II	129.7r	132.3r	102.0	147.4r	112.1r	113.7r
III	131.2r	133.9r	102.0	150.3r	111.8r	114.5r
IV	130.1r	134.3r	103.2	153.2r	111.4r	117.8r
Annual Avg.	130.0r	132.6r	102.1	148.9r	111.9r	114.6r
1974						
I	129.9r	132.3r	101.9	155.8r	110.2r	120.0r
II	131.3p	132.8p	101.1p	161.0p	110.6p	122.6p
<u>Percent Change Over Previous Quarter at Annual Rate (5)</u>						
1973						
I	9.1r	15.9r	6.2	8.9r	2.9r	-0.2r
II	3.7r	7.6r	3.8	7.5r	-1.4r	3.7r
III	4.9r	4.9r	-0.0	8.1r	-0.9r	3.0r
IV	-3.4	1.2	4.8	8.0r	-1.7r	11.9r
Annual Avg.	5.9r	11.0r	4.8	7.4r	1.1r	1.4r
1974						
I	-0.7r	-5.8r	-5.1	7.0r	-4.1r	7.8r
II	4.6p	1.5p	-2.9p	13.9p	1.3p	9.0p
<u>Percent Change Over Previous Year (5)</u>						
1973						
I	7.7r	14.2r	6.1	6.4r	2.3r	-1.2r
II	6.7r	12.2r	5.2	7.2r	1.6r	0.4r
III	5.7r	10.5r	4.5	7.9r	1.0r	2.0r
IV	3.5r	7.3r	3.7	8.1r	-0.3r	4.5r
Annual Avg.	5.9r	11.0r	4.8	7.4r	1.1r	1.4r
1974						
I	1.1r	1.8r	0.8	7.7r	-2.0r	6.5r
II	1.3p	0.4p	-0.9p	9.2p	-1.3p	7.9p

See footnotes following table 4.

p = preliminary

r = revised

SOURCE: Bureau of Labor Statistics
July 31, 1974

Table 4. Nonfinancial Corporations: Output per Man-Hour, Hourly Compensation
Unit Labor Costs, Unit Profits and Prices, Seasonally Adjusted

Year and Quarter	Output per Manhour	Output	Man-hours	Compensation per man-hour (1)	Real Compensation per man-hour (2)	Unit Labor Cost	Unit Nonlabor Costs (8)	Total Unit Cost (9)	Unit Profits (10)	Implicit Price Deflator
Indexes 1967 = 100										
1973										
I	123.1r	130.7r	106.2	149.4r	116.1r	121.4r	125.7r	122.5r	91.9r	117.8r
II	123.3r	132.3r	107.3	151.8r	115.4r	123.1r	127.1r	124.1r	91.3r	119.1r
III	123.5r	132.9r	107.7	154.4r	114.9r	125.1r	128.3r	125.9r	90.2r	120.5r
IV	122.7r	133.4r	108.7	157.2r	114.2r	128.1r	129.9r	128.5r	89.7r	122.6
Annual Avg.	123.1r	132.3r	107.5	153.1r	115.0r	124.4r	127.7r	125.2	90.8r	120.0r
1974										
I	121.0r	130.6r	107.9r	160.4r	113.5r	132.6r	134.2r	133.0r	86.8r	126.0r
<u>Percent Change Over Previous Quarter at Annual Rate (5)</u>										
1973										
I	8.2r	12.5r	4.0	13.4r	7.2r	4.8r	-3.2r	2.7r	3.4r	2.8r
II	0.7r	4.8r	4.0	6.5r	-2.2r	5.7r	4.3r	5.3r	-2.6r	4.4r
III	0.6r	2.0r	1.5	7.2r	-1.9r	6.6r	3.8r	5.9r	-4.5r	4.6r
IV	-2.3r	1.5r	3.9	7.3r	-2.2r	9.9r	5.2r	8.7r	-2.5r	7.4r
Annual Avg.	3.7r	7.8r	4.0	7.9r	1.5r	4.1r	0.7r	3.2r	4.7r	3.4r
1974										
I	-5.5r	-8.1r	-2.8r	8.5r	-2.6r	14.9r	13.9r	14.6r	-12.3r	11.4r
<u>Percent Change Over Previous Year</u>										
1973										
I	5.3r	10.0r	4.5	7.2r	3.0r	1.8r	-1.2r	1.0r	9.3r	2.0r
II	4.4r	8.7r	4.0	7.7r	2.2r	3.2r	-0.5r	2.2r	7.5r	2.8r
III	3.4r	7.6r	4.0	8.0r	1.1r	4.5r	0.7r	3.5r	4.3r	3.6r
IV	1.7r	5.1r	3.3	8.6r	0.2r	6.7r	2.5r	5.6r	-1.6r	4.8r
Annual Avg.	3.7r	7.8r	4.0	7.9r	1.5r	4.1r	0.7r	3.2r	4.7r	3.4r
1974										
I	-1.7r	-0.1r	1.6	7.4r	-2.2r	9.2r	6.8r	8.6r	-5.6r	6.9r

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

SOURCE: Bureau of Labor Statistics
July 31, 1974

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.