

News

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of Labor



Office of Information

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PRODUCTIVITY AND COSTS

Nonfinancial Corporate Sector First Quarter 1978

Productivity in nonfinancial corporations decreased 2.0 percent in the first quarter of 1978 at a seasonally adjusted annual rate, the Bureau of Labor Statistics of the U.S. Department of Labor reported today. The decline reflected a 1.0 percent fall in output and a 1.0 percent increase in hours of all employees. In the preceding quarter, productivity increased 1.1 percent in this sector, which includes all corporations doing business in the United States with the exception of banks, stock and commodity brokers, and finance and insurance companies.

Revised first-quarter measures were also released today for the private business, nonfarm business, and manufacturing sectors. The productivity declines in the private business and nonfarm business sectors are somewhat smaller in the revised series, while the decline in manufacturing is somewhat larger than had been previously reported, based on preliminary measures.

A summary of these first quarter measures appears in table A; details are given in tables 1-6.

Hourly compensation, which includes both wages and supplements, increased 14.4 percent in the first quarter in nonfinancial corporations, compared with an 8.0 percent increase during the fourth quarter of 1977. The first quarter increase was the largest quarterly advance since the first quarter of 1973. This increase in hourly compensation, combined with the decline in productivity, resulted in a 16.7 percent increase in unit labor cost, the largest increase in these costs since the third quarter of 1974. In the fourth quarter of 1977, unit labor cost rose 6.8 percent.

Real compensation per hour--hourly compensation adjusted for changes in the Consumer Price Index for All Urban Consumers (CPI-U)--rose at a 6.0 percent annual rate

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

Sector	Productivity	Hourly Compensation	Unit Labor Cost	Real Hourly Compensation	Output	Hours
Fourth Quarter 1977 to First Quarter 1978 <u>PRELIMINARY</u>						
Nonfinancial Corporation	-2.0	14.4	16.7	6.0	-1.0	1.0
			<u>REVISED</u>			
Private Business	-2.9	14.4	17.8	6.1	-1.0	2.0
Nonfarm Business	-2.7	13.6	16.8	5.3	-0.3	2.5
Manufacturing	-3.5	14.7	18.9	6.4	-0.5	3.1
Durable	-5.1	13.5	19.7	5.3	-1.5	3.8
Nondurable	-1.0	16.6	17.8	8.2	1.1	2.1
First Quarter 1977 to First Quarter 1978 <u>PRELIMINARY</u>						
Nonfinancial Corporation	1.3	9.2	7.8	2.5	4.8	3.4
			<u>REVISED</u>			
Private Business	0.9	9.2	8.3	2.5	4.6	3.7
Nonfarm Business	1.0	9.2	8.1	2.5	4.7	3.7
Manufacturing	1.1	9.4	8.2	2.6	5.1	4.0
Durable	0.6	9.2	8.6	2.5	6.1	5.4
Nondurable	1.8	9.2	7.2	2.5	3.7	1.8

in the first quarter, compared with a 3.2 percent increase during the fourth quarter of 1977. This was the largest quarterly increase in 2 years.

Unit profits declined at a 54.3 percent annual rate in the first quarter of 1978 the largest quarterly decline in this series, which begins in 1958. In the fourth quarter of 1977, unit profits declined 12.3 percent.

Unit nonlabor payments, which include profits as well as all other nonlabor costs, decreased 13.5 percent in the first quarter, compared with a 0.3 percent decline in the fourth quarter of 1977. Total unit cost--including unit labor cost, unit nonlabor cost, and unit profits--increased 15.1 percent in the first quarter, compared with a 6.4 percent increase in the fourth quarter of 1977.

Revised Measures

Revised measures of labor productivity and related series for the first quarter for the private business, nonfarm business, and manufacturing sectors were also released today. See table B. The revised measures show that productivity--at annual rates--decreased 2.9 percent in the private business sector, 2.7 percent in the nonfarm business sector, and 3.5 percent in manufacturing. These declines had been reported at 3.6 percent, 3.3 percent, and 3.3 percent, respectively, based on preliminary information.

Measures of real hourly compensation for these series--unavailable earlier--were also released today. Reflecting changes in hourly compensation and quarterly movements in the Consumer Price Index for All Urban Consumers (CPI-U), this series shows solid gains in each sector. The 6.1 percent increase in the private business sector in the first quarter was the largest increase in 2 years.

Table B.
Preliminary and Revised First Quarter Measures of Productivity and Costs
Quarterly Change at Annual Rate
(Seasonally Adjusted)

Measure	Private Business Sector		Nonfarm Business Sector		Manufacturing	
	Preliminary	Revised	Preliminary	Revised	Preliminary	Revised
Output per hour of all persons	-3.6	-2.9	-3.3	-2.7	-3.3	-3.5
Compensation per hour	14.0	14.4	13.2	13.6	14.9	14.7
Unit labor cost	18.3	17.8	17.0	16.8	18.8	18.9
Real compensation per hour	N.A.	6.1	N.A.	5.3	N.A.	6.4
Output	-1.8	-1.0	-1.0	-0.3	-0.1	-0.5
Hours	1.9	2.0	2.4	2.5	3.3	3.1

TABLE 1. PRIVATE BUSINESS SECTOR, ALL PERSONS: PRODUCTIVITY,
HOURLY COMPENSATION, UNIT LABOR COST, AND PRICES, SEASONALLY ADJUSTED

YEAR AND QUARTER	OUTPUT PER HOUR OF ALL PERSONS	OUTPUT	HOURS OF ALL PERSONS	COMPENSA- TION PER HOUR (1)	REAL COMPENSA- TION PER HOUR (2)	UNIT LABOR COST	UNIT NON- LABOR PAY- MENTS (3)	IMPLICIT PRICE DEFLATOR
INDEXES 1967=100								
1977 I	118.9	131.3	110.5	208.3	117.6	175.2	160.4	170.1
II	118.6	134.0	113.0	211.6	117.0	178.4	163.0	173.1
III	120.2	135.7	113.0	216.0	117.9	179.7	167.0	175.4
IV	120.8	137.7	113.9	220.0	118.8	182.1	169.0	177.6
ANNUAL	119.5	134.7	112.7	214.0	117.9	179.0	164.9	174.1
1978 I	119.9R	137.3R	114.5	227.5R	120.6	189.7R	162.9R	180.5R
PERCENT CHANGE FROM PREVIOUS QUARTER AT ANNUAL RATE (5)								
1977 I	5.7	9.6	3.7	11.3	2.8	5.3	2.4	4.4
II	-1.0	8.5	9.6	6.5	-2.1	7.5	6.6	7.2
III	5.3	5.2	-0.2	8.4	3.2	2.9	10.2	5.2
IV	2.3	5.9	3.5	7.7	2.9	5.3	4.9	5.2
ANNUAL	2.6	6.1	3.4	8.9	2.3	6.1	3.1	5.1
1978 I	-2.9R	-1.0R	2.0R	14.4P	6.1	17.8R	-13.8R	6.6R
PERCENT CHANGE FROM CORRESPONDING QUARTER OF PREVIOUS YEAR (6)								
1977 I	3.0	5.1	2.1	9.4	3.3	6.2	1.1	4.5
II	1.9	5.8	3.8	8.8	1.9	6.8	1.6	5.1
III	2.5	6.3	3.7	8.8	2.0	6.1	3.8	5.3
IV	3.0	7.3	4.1	8.5	1.7	5.3	6.0	5.5
ANNUAL	2.6	6.1	3.4	8.9	2.3	6.1	3.1	5.1
1978 I	0.9R	4.6R	3.7R	9.2R	2.5	8.3R	1.5	6.1

SEE FOOTNOTES FOLLOWING TABLE 6.

R=REVISED

P=PRELIMINARY

MAY 25, 1978

SOURCE: BUREAU OF LABOR STATISTICS

TABLE 2. NONFARM BUSINESS SECTOR, ALL PERSONS: PRODUCTIVITY,
HOURLY COMPENSATION, UNIT LABOR COST, AND PRICES, SEASONALLY ADJUSTED

YEAR AND QUARTER		OUTPUT PER HOUR OF ALL PERSONS	OUTPUT	HOURS OF ALL PERSONS	COMPENSA- TION PER HOUR (1)	REAL COMPENSA- TION PER HOUR (2)	UNIT LABOR COST	UNIT-NON- LABOR PAY- MENTS (3)	IMPLICIT PRICE DEFLATOR
INDEXES 1967=100									
1977	I	116.0	131.6	113.4	204.2	115.3	176.0	157.2	169.6
	II	116.3	134.5	115.6	208.0	115.0	178.9	160.7	172.7
	III	117.4	136.0	115.9	211.8	115.7	180.5	166.3	175.6
	IV	118.0	137.9	116.9	216.0	116.6	183.0	166.9	177.5
	ANNUAL	116.9	135.0	115.5	210.0	115.7	179.7	162.9	173.9
1978	I	117.2R	137.9R	117.6	223.0R	118.2	190.2R	160.7R	180.2R
PERCENT CHANGE FROM PREVIOUS QUARTER AT ANNUAL RATE (5)									
1977	I	4.7	9.5	4.6	11.3	2.7	6.3	-2.2	3.5
	II	0.8	8.8	8.0	7.6	-1.1	6.8	9.0	7.5
	III	3.8	4.8	0.9	7.5	2.3	3.5	14.8	7.0
	IV	2.3	5.7	3.3	8.2	3.4	5.8	1.4	4.3
	ANNUAL	2.2	6.0	3.7	8.8	2.2	6.4	3.5	5.4
1978	I	-2.7R	-0.3R	2.5R	13.6R	5.3	16.8R	-14.0R	6.1R
PERCENT CHANGE FROM CORRESPONDING QUARTER OF PREVIOUS YEAR (6)									
1977	I	2.8	5.1	2.2	9.3	3.2	6.3	1.3	4.6
	II	1.6	5.7	4.0	8.8	1.9	7.1	2.5	5.6
	III	1.9	6.1	4.1	8.5	1.7	6.5	4.4	5.8
	IV	2.9	7.2	4.2	8.6	1.8	5.6	5.5	5.6
	ANNUAL	2.2	6.0	3.7	8.8	2.2	6.4	3.5	5.4
1978	I	1.0R	4.7R	3.7R	9.2R	2.5	8.1R	2.2R	6.2R

SEE FOOTNOTES FOLLOWING TABLE 6.

R=REVISED
P=PRELIMINARY

MAY 25, 1978
SOURCE: BUREAU OF LABOR STATISTICS

TABLE 3. NONFINANCIAL CORPORATIONS: PRODUCTIVITY, HOURLY COMPENSATION
UNIT LABOR COST, UNIT PROFITS, AND PRICES, SEASONALLY ADJUSTED

YEAR AND QUARTER	OUTPUT PER ALL- EMPLOYEE HOUR	OUTPUT	EMPLOYEE HOURS	HOURLY COMPENSA- TION (1)	REAL HOURLY COMPEN- SATION(2)	UNIT LABOR COST	UNIT NON- LABOR COST(8)	TOTAL UNIT COST (9)	UNIT PRO- FITS (10)	IMPLICIT PRICE DEFLATOR	
INDEXES 1967=100											
1977	I	118.9	138.0	116.1	206.7	116.7	173.9	195.0	179.0	103.7	167.8
	II	119.4	141.4	118.4	210.5	116.4	176.2	194.3	180.6	115.5	170.9
	III	120.7	143.1	118.6	214.2	117.0	177.4	197.5	182.3	123.1	173.5
	IV	121.1	145.0	119.8	218.3	117.9	180.3	200.1	185.1	119.1	175.3
	ANNUAL	119.9	141.9	118.3	212.3	117.0	177.0	196.8	181.8	115.5	172.0
1978	I	120.5P	144.7P	120.1P	225.8P	119.6P	187.4P	205.2P	191.7P	97.9P	177.8P
PERCENT CHANGE FROM PREVIOUS QUARTER AT ANNUAL RATE(5)											
1977	I	6.0	9.4	3.3	12.8	4.2	6.4	1.7	5.2	-11.6	3.5
	II	1.9	10.1	8.1	7.5	-1.2	5.5	-1.3	3.6	53.5	7.6
	III	4.4	5.0	0.6	7.2	2.1	2.7	6.7	3.7	29.1	6.1
	IV	1.1	5.3	4.2	8.0	3.2	6.8	5.4	6.4	-12.3	4.3
	ANNUAL	2.4	5.9	3.5	8.9	2.3	6.4	3.5	5.6	2.0	5.3
1978	I	-2.0P	-1.0P	1.0P	14.4P	6.0P	16.7P	10.5P	15.1P	-54.3P	5.8P
PERCENT CHANGE FROM CORRESPONDING QUARTER OF PREVIOUS YEAR(6)											
1977	I	2.3	4.7	2.4	9.3	3.3	6.9	3.9	6.1	-8.3	4.6
	II	1.7	5.5	3.8	9.0	2.0	7.1	3.2	6.1	0.4	5.5
	III	2.3	6.1	3.7	8.8	2.0	6.3	3.9	5.7	4.6	5.6
	IV	3.3	7.5	4.0	8.9	2.0	5.3	3.1	4.7	11.3	5.4
	ANNUAL	2.4	5.9	3.5	8.9	2.3	6.4	3.5	5.6	2.0	5.3
1978	I	1.3P	4.8P	3.4P	9.2P	2.5P	7.8P	5.2P	7.1P	-5.6P	5.9P

SEE FOOTNOTES FOLLOWING TABLE 6.

R=REVISED

P=PRELIMINARY

MAY 25, 1978

SOURCE: BUREAU OF LABOR STATISTICS

TABLE 4. MANUFACTURING SECTOR: PRODUCTIVITY, HOURLY
COMPENSATION, UNIT LABOR COST, SEASONALLY ADJUSTED

YEAR AND QUARTER		OUTPUT PER HOUR OF ALL PERSONS	OUTPUT (7)	HOURS OF ALL PERSONS	COMPENSA- TION PER HOUR(1)	REAL COMPENSA- TION PER HOUR(2)	UNIT LABOR COST
INDEXES 1967=100							
1977	I	125.0	123.0	98.4	206.1	116.4	164.9
	II	126.2	126.5	100.3	210.1	116.2	166.5
	III	127.8	128.3	100.4	213.6	116.7	167.2
	IV	127.5	129.4	101.5	217.8	117.6	170.8
	ANNUAL	126.9	127.1	100.1	212.0	116.8	167.0
1978	I	126.4	129.2R	102.3	225.4R	119.4	178.4
PERCENT CHANGE FROM PREVIOUS QUARTER AT ANNUAL RATE(5)							
1977	I	0.1	5.8	5.7	12.8	4.1	12.7
	II	3.8	12.2	8.1	8.1	-0.7	4.1
	III	5.2	5.6	0.4	6.9	1.7	1.6
	IV	-0.9	3.5	4.5	8.0	3.2	9.0
	ANNUAL	2.2	5.9	3.6	8.8	2.2	6.5
1978	I	-3.5R	-0.5R	3.1R	14.7R	6.4	18.9R
PERCENT CHANGE FROM CORRESPONDING QUARTER OF PREVIOUS YEAR(6)							
1977	I	2.3	4.4	2.0	9.0	3.0	6.5
	II	1.5	5.5	3.9	8.4	1.6	6.8
	III	1.8	5.9	4.0	8.6	1.8	6.7
	IV	2.0	6.7	4.6	8.9	2.1	6.8
	ANNUAL	2.2	5.9	3.6	8.8	2.2	6.5
1978	I	1.1	5.1R	4.0	9.4	2.6	8.2

SEE FOOTNOTES FOLLOWING TABLE 6.

R=REVISED

P=PRELIMINARY

MAY 25, 1978

SOURCE: BUREAU OF LABOR STATISTICS

TABLE 5. DURABLE MANUFACTURING SECTOR: PRODUCTIVITY, HOURLY
COMPENSATION, UNIT LABOR COST, SEASONALLY ADJUSTED(1)

YEAR AND QUARTER		OUTPUT PER HOUR OF ALL PERSONS	OUTPUT (7)	HOURS OF ALL PERSONS	COMPENSA- TION PER HOUR(1)	REAL COMPENSA- TION PER HOUR(2)	UNIT LABOR COST
INDEXES 1967=100							
1977	I	120.3	117.6	97.7	207.5	117.2	172.5
	II	122.1	121.8	99.8	212.3	117.4	173.9
	III	123.2	124.0	100.6	215.3	117.6	174.8
	IV	122.6	125.2	102.1	219.6	118.6	179.0
	ANNUAL	122.2	122.3	100.0	213.8	117.8	174.9
1978	I	121.0R	124.7R	103.0R	226.7R	120.1	187.3R
PERCENT CHANGE FROM PREVIOUS QUARTER AT ANNUAL RATE(5)							
1977	I	-1.5	4.8	6.5	13.2	4.5	15.0
	II	6.1	15.4	8.7	9.6	0.7	3.3
	III	3.5	7.2	3.5	5.7	0.7	2.1
	IV	-1.7	4.0	5.8	8.3	3.4	10.1
	ANNUAL	1.6	6.4	4.8	8.5	2.0	6.9
1978	I	-5.1R	-1.5R	3.8R	13.5R	5.3	19.7R
PERCENT CHANGE FROM CORRESPONDING QUARTER OF PREVIOUS YEAR(6)							
1977	I	1.9	5.2	3.3	8.3	2.3	6.2
	II	1.2	6.0	4.8	8.1	1.2	6.8
	III	1.1	6.2	5.0	8.3	1.5	7.2
	IV	1.6	7.8	6.1	9.2	2.3	7.5
	ANNUAL	1.6	6.4	4.8	8.5	2.0	6.9
1978	I	0.6R	6.1	5.4R	9.2R	2.5	8.6R

SEE FOOTNOTES FOLLOWING TABLE 6.

R=REVISED

P=PRELIMINARY

MAY 25, 1978
SOURCE: BUREAU OF LABOR STATISTICS

TABLE 6. NONDURABLE MANUFACTURING SECTOR: PRODUCTIVITY, HOURLY
COMPENSATION, UNIT LABOR COST, SEASONALLY ADJUSTED(12)

YEAR AND QUARTER		OUTPUT PER HOUR OF ALL PERSONS	OUTPUT (7)	HOURS OF ALL PERSONS	COMPENSA- TION PER HOUR(1)	REAL COMPENSA- TION PER HOUR(2)	UNIT LABOR COST
INDEXES 1967=100							
1977	I	132.6	131.7	99.3	204.0	115.2	153.9
	II	132.8	134.2	101.1	206.6	114.2	155.6
	III	135.2	135.3	100.0	210.6	115.0	155.7
	IV	135.3	136.2	100.6	214.3	115.7	158.4
	ANNUAL	134.5	134.9	100.3	208.9	115.1	155.3
1978	I	135.0R	136.6R	101.1R	222.8R	118.0	165.0R
PERCENT CHANGE FROM PREVIOUS QUARTER AT ANNUAL RATE(5)							
1977	I	2.5	7.7	4.6	11.8	3.2	9.0
	II	0.5	7.7	7.2	5.3	-3.2	4.7
	III	7.7	3.3	-4.1	7.9	2.7	0.2
	IV	0.3	2.8	2.5	7.3	2.5	7.0
	ANNUAL	3.1	5.1	2.0	8.9	2.3	5.7
1978	I	-1.0R	1.1R	2.1R	16.6R	8.2	17.8R
PERCENT CHANGE FROM CORRESPONDING QUARTER OF PREVIOUS YEAR(6)							
1977	I	2.9	3.2	0.3	10.0	3.9	6.8
	II	2.0	4.7	2.7	8.8	1.9	6.7
	III	3.0	5.6	2.5	8.9	2.1	5.7
	IV	2.7	5.2	2.4	8.0	1.3	5.2
	ANNUAL	3.1	5.1	2.0	8.9	2.3	5.7
1978	I	1.8R	3.7R	1.8R	9.2R	2.5	7.2R

SEE FOOTNOTES FOLLOWING TABLE 6.

R=REVISED

P=PRELIMINARY

MAY 25, 1978
SOURCE: BUREAU OF LABOR STATISTICS

FOOTNOTES, TABLES 1-6

SOURCE: Output data from Bureau of Economic Analysis, U.S. Department of Commerce, and the Federal Reserve Board. Compensation and 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 include an estimate of wages, salaries, and supplemental payments for the self-employed.
- (2) Compensation per hour adjusted for changes in the Consumer Price Index for all urban consumers.
- (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 the 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 cost include depreciation, interest, and indirect taxes.
- (9) Total unit cost is the sum of labor and nonlabor costs.
- (10) Unit profits include corporate profit and inventory valuation adjustment.
- (11) The durable sector includes the following 2-digit SIC industries: Primary metal; fabricated metal products; nonelectrical machinery; electrical machinery; transportation equipment; instruments; lumber and lumber products; furniture and fixtures; and miscellaneous manufactures.
- (12) The nondurable sector includes the following 2-digit SIC industries: Textile mill products; apparel products; leather and leather products; printing and publishing; chemicals and chemical products; petroleum products; rubber and plastic products; foods; and tobacco products.
- (13) Scheduling of the release of the new Consumer Price Index for all urban consumers (CPI-U) precludes the use of real hourly compensation (hourly compensation adjusted for quarterly changes in the CPI-U) with preliminary productivity and cost measures. These will be published together with revised output and labor input measures with the next regular edition of Productivity and Costs, approximately 30 days after the preliminary measures.

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

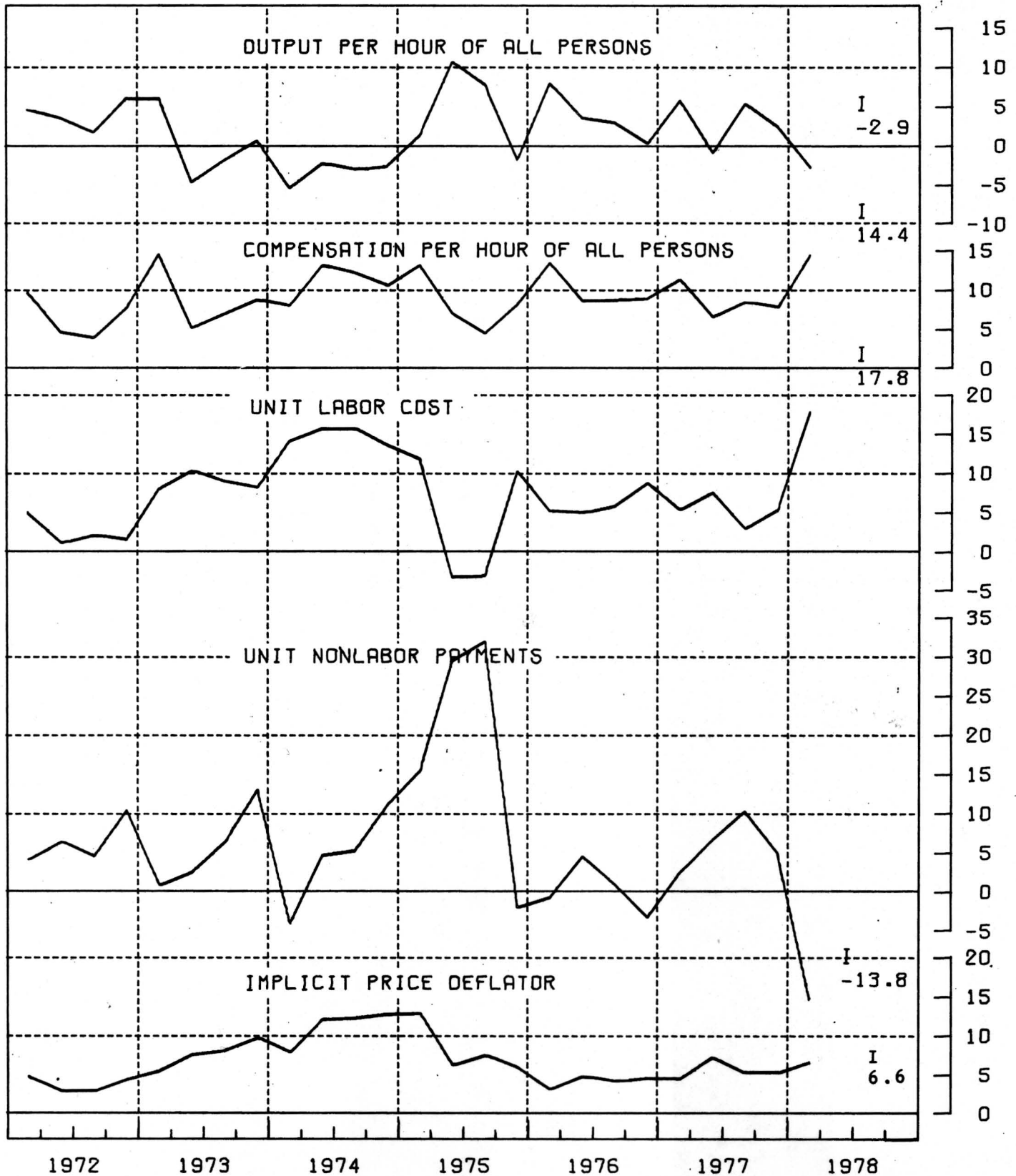


CHART 2. PRODUCTIVITY, HOURLY
COMPENSATION, UNIT COSTS AND PRICES
NONFARM BUSINESS SECTOR
(PERCENT CHANGE FROM PRECEDING
QUARTER AT ANNUAL RATE)

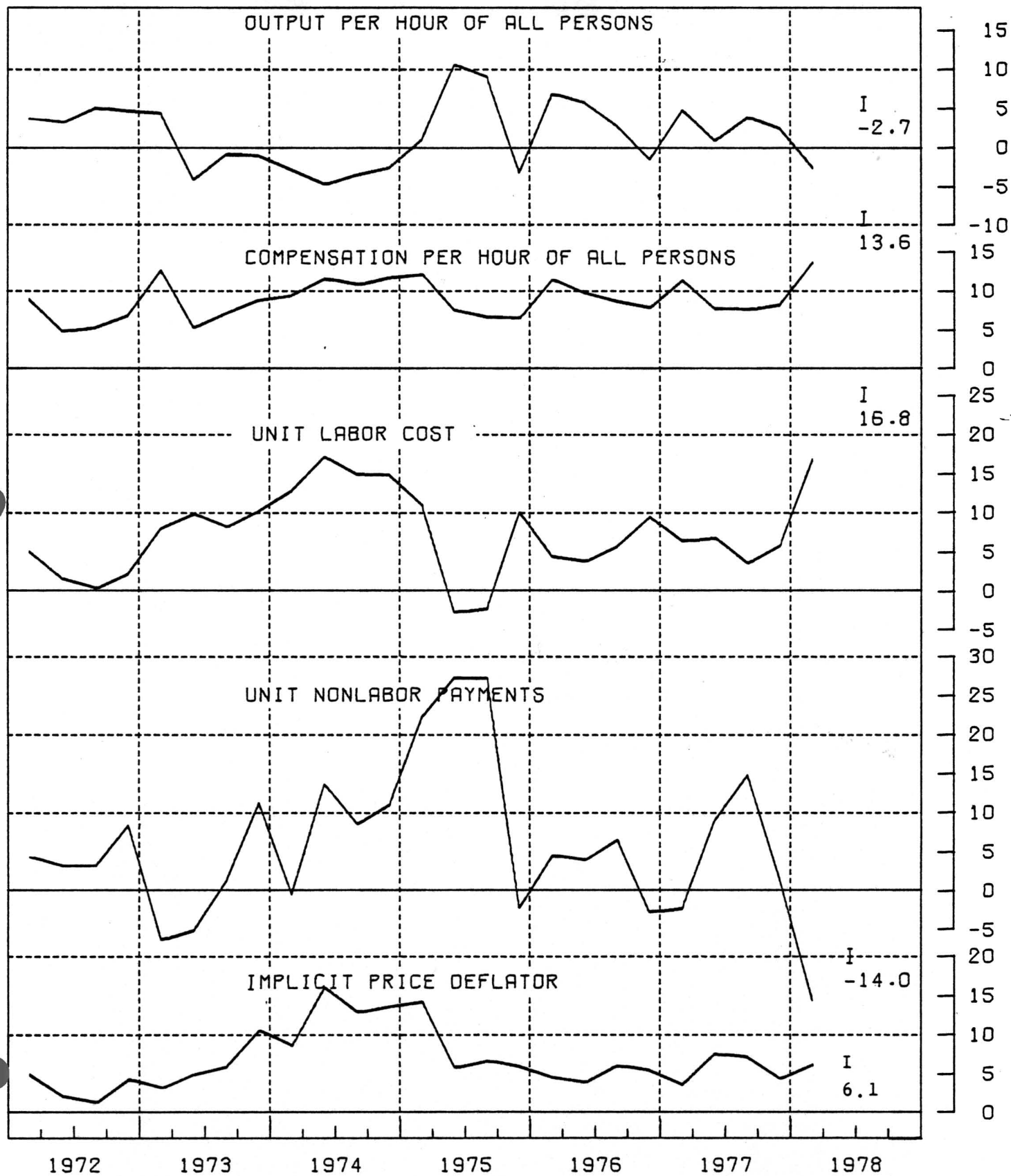


CHART 3. PRODUCTIVITY, HOURLY
COMPENSATION, UNIT COSTS AND PRICES
NONFINANCIAL CORPORATIONS
(PERCENT CHANGE FROM SAME
QUARTER A YEAR AGO)

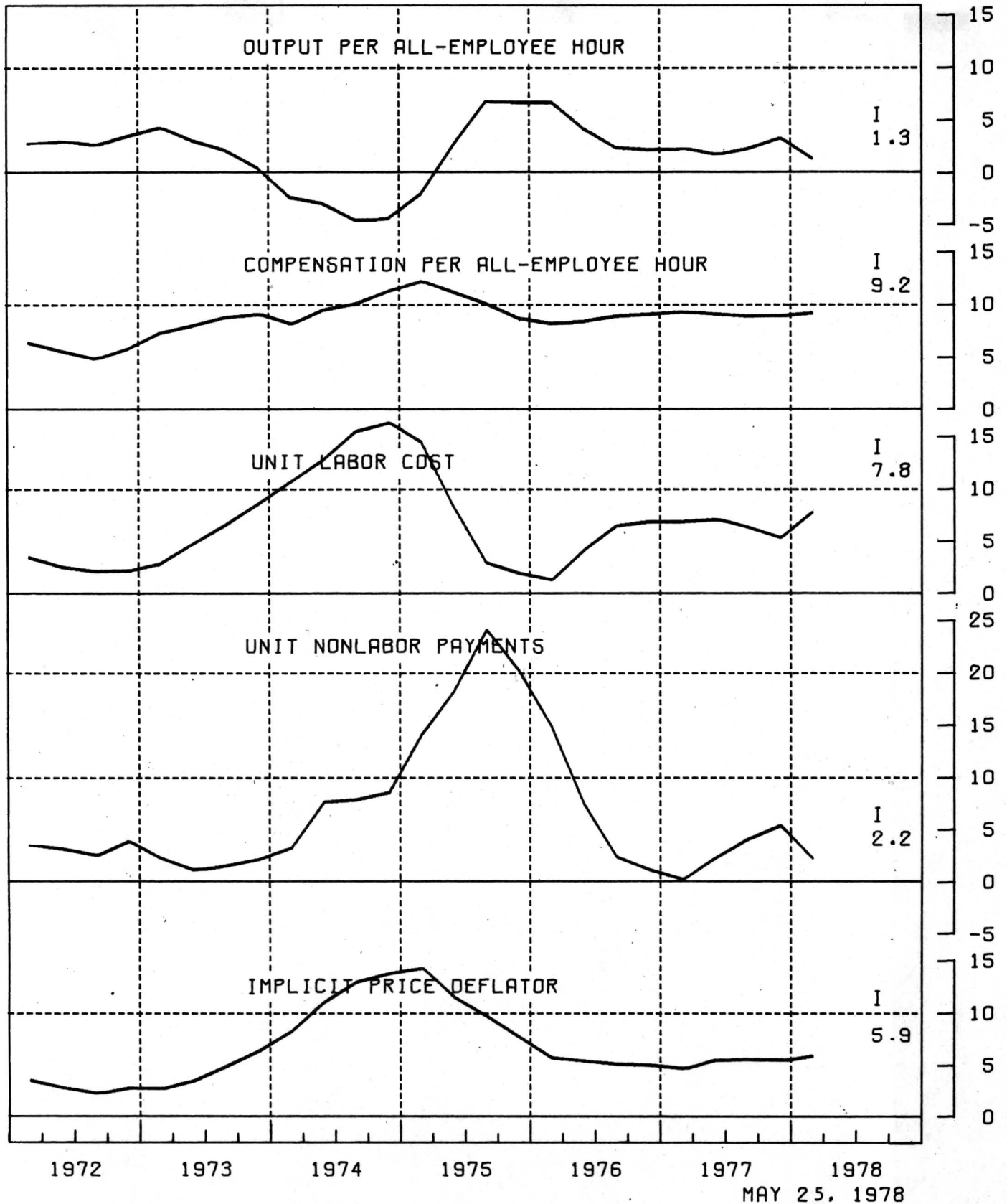


CHART 4.
UNIT COSTS, UNIT PROFITS, AND PRICES
NONFINANCIAL CORPORATIONS
(PERCENT CHANGE FROM SAME
QUARTER A YEAR AGO)

