

News

United States
Department
of Labor



Bureau of Labor Statistics

Washington, D.C. 20212

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USDL 85-296
For Release: 10:00 AM EDT
Thursday, July 25, 1985

PRODUCTIVITY AND COSTS Second Quarter 1985

The Bureau of Labor Statistics of the U.S. Department of Labor today reported preliminary productivity statistics--as measured by output per hour of all persons--for the second quarter of 1985. The seasonally-adjusted annual rates of productivity increase in major sectors of the economy from the first to the second quarter of 1985 were:

0.5 percent in the business sector,
0.5 percent in the nonfarm business sector,
7.5 percent in manufacturing,
7.3 percent in durable goods manufacturing, and
8.0 percent in nondurable goods manufacturing.

Second-quarter measures are summarized in table A and appear in detail in tables 1 through 6.

Business

Productivity increased at a 0.5 percent seasonally adjusted annual rate in the second quarter of 1985 in the business sector, as output increased 1.8 percent and hours of all persons increased 1.3 percent (table 1). During the first quarter, productivity declined 3.9 percent; although output showed no growth during the first quarter, hours rose 4.1 percent. The smaller increase in hours during the second period reflected slower employment gains and a decline in the length of the average work-week compared with the first quarter.

Hourly compensation increased at a 3.3 percent annual rate during the second quarter, compared with 4.8 percent increase in the first quarter. This measure includes the cost to employers of wages and salaries, supplements, payments to employee-benefit plans, and taxes. Real hourly compensation, which also takes into account changes in the Consumer Price Index for All Urban Consumers (CPI-U), declined 0.8 percent in the second quarter, compared with a 1.4 percent gain during the first quarter. This was the first quarter of declining real hourly compensation in a year. Unit labor costs, which reflect changes in both productivity and hourly compensation, increased 2.8 percent in the second quarter. During the first quarter, these costs rose at a 9.1 percent annual rate.

The implicit price deflator for the business sector, which is a measure of price change for business net output, rose 2.1 percent in the second quarter, compared with 5.0 percent gain during the first quarter.

Table A. Productivity and cost: Percent change at (Seasonally adjusted annual rates)

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
PRELIMINARY						
First quarter to second quarter 1985						
Business	0.5	1.8	1.3	3.3	-0.8	2.8
Nonfarm business	0.5	1.9	1.4	3.4	-0.7	2.9
Manufacturing	7.5	2.5	-4.7	4.7	0.5	-2.6
Durable	7.3	1.6	-5.3	4.8	0.6	-2.3
Nondurable	8.0	3.9	-3.7	4.7	0.5	-3.0
First quarter 1984 to first quarter 1985						
Business	0.1	2.1	2.1	4.2	0.5	4.2
Nonfarm business	-0.4	1.9	2.3	3.9	0.3	4.3
Manufacturing	3.5	2.4	-1.0	4.8	1.1	1.3
Durable	3.6	3.2	-0.4	4.8	1.1	1.2
Nondurable	3.2	1.4	-1.8	4.7	1.0	1.4

Nonfarm business

Productivity in the nonfarm business sector also rose 0.5 percent in the second quarter reflecting gains in the output and hours of 1.9 percent and 1.4 percent, respectively (table 2). During the first quarter, nonfarm productivity declined 3.1 percent. (Productivity changes in business and nonfarm business were identical in the second quarter since there was little change in farm productivity during the period.)

Hourly compensation increased 3.4 percent in the second quarter, compared with a 5.0 percent gain during the first quarter. After allowing for the increase in the CPI-U, real hourly compensation declined 0.7 percent. Unit labor costs rose 2.9 percent, a considerably smaller rise than the 8.4 percent increase in the first quarter.

The implicit price deflator rose 2.7 percent in the second quarter, compared with a 5.5 percent increase during the first quarter.

Manufacturing

Output per hour of all persons increased 7.5 percent in manufacturing during the second quarter, as output rose 2.5 percent and hours of all persons decreased 4.7 percent (table 3). Although productivity grew strongly in both durable and nondurable goods manufacturing, output increased faster in nondurables (tables 4, 5).

Hourly compensation increased at a 4.7 percent annual rate in the second quarter in manufacturing as a whole, or 0.5 percent in real terms after the increase in the CPI-U is taken into account. Unit labor costs declined 2.6 percent during the period.

Revised measures

The manufacturing productivity and cost measures in tables 3-5 reflect the revised Index of Industrial Production prepared by the Board of Governors of the Federal Reserve. Historical measures are available on request from the Office of Productivity and Technology, Bureau of Labor Statistics, Washington, D.C. 20212, telephone (202) 523-9261. Revised output and compensation measures from the Bureau of Economic Analysis which are usually introduced at this time of year, are scheduled for announcement in December 1985, and will appear in the January 1986 issue of Productivity and Costs.

Preliminary and revised productivity and cost measures for nonfinancial corporations for the first quarter are compared in table B. The decline in output per all-employee hour in the first quarter is smaller than was reported on May 29, based on information then available.

Table B. Nonfinancial corporations: Preliminary and revised first quarter 1985 productivity and cost measures, quarterly change at seasonally adjusted annual rate
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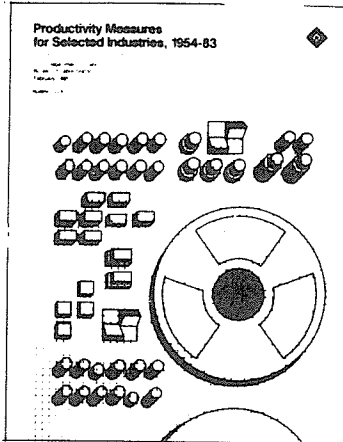
Item	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs	Unit profits	Implicit price deflator
Preliminary	-2.8	0.3	3.2	4.0	0.7	7.0	-1.3	5.7
Revised	-2.5	0.6	3.3	3.9	0.6	6.6	-1.0	5.1

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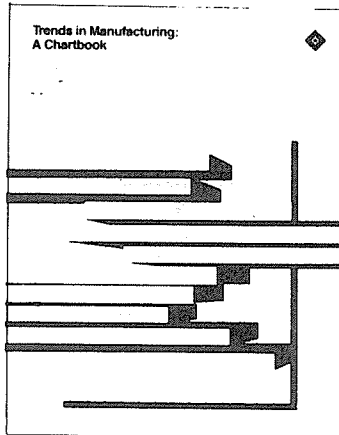
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TECHNICAL NOTES

Business sector output is equal to gross national product, less the rest-of-the-world sector, general government, output of paid employees of private households and nonprofit institutions, rental value of owner-occupied dwellings, and the statistical discrepancy in computing the national income accounts. Corresponding exclusions are also made in labor inputs. Business output has accounted for about 77 percent of gross national product in recent years.

Total manufacturing measures are computed by summing series prepared for the durable and nondurable goods sectors.

The durable sector includes the following 2-digit SIC industries: Primary metals; fabricated metal products; nonelectrical machinery; electrical machinery; transportation equipment; instruments; lumber and lumber products; furniture and fixtures; stone, clay, and glass products; and miscellaneous manufactures. The nondurable sector includes the following 2-digit SIC industries: Textile mill products, apparel products, leather and leather products, printing and publishing, chemical and chemical products, petroleum products, rubber and plastic products, foods, and tobacco products.

Manufacturing output has accounted for about 24 percent of gross national product in recent years.

Nonfinancial corporate output is equal to gross national product, less the rest-of-the-world sector, general government, unincorporated business, output of paid employees of private households and nonprofit institutions, rental value of owner-occupied dwellings, the output of corporations engaged in banking, finance, stock and commodity trading, and credit and insurance agencies, and the statistical discrepancy in computing the national income accounts. Nonfinancial corporate output has accounted for about 59 percent of gross national product in recent years.

The productivity and associated cost measures in this news release describe the relationship between output in real terms and the labor time involved in its production. They show the changes from period to period in the amount of goods and services produced per hour. Although these measures relate output to hours of all persons engaged in a sector, they do not measure the specific contributions of labor, capital, or any other factor of production. Rather, they reflect the joint effects of many influences, including changes in technology; capital investment; level of output; utilization of capacity, energy, and materials; the organization of production; managerial skill; and the characteristics and effort of the work force.

Table 1. Business sector: Productivity, hourly compensation, unit labor cost, and prices, seasonally adjusted

Year and quarter	Output per hour of all persons	Output	Hours of all persons	Compensation per hour(1)	Real compensation per hour(2)	Unit labor cost	Unit non-labor payments(3)	Implicit price deflator(4)
Indexes 1977=100								
1984	I	105.7	117.8	111.4	166.7	98.6	157.7	155.6
	II	107.0	121.0	113.0	167.5	98.2	156.5	156.7
	III	107.2	121.5	113.4	169.3	98.3	158.0	158.1
	IV	108.0	123.0	113.9	171.1	98.5	158.4	159.0
	ANNUAL	107.0	120.8	112.9	168.6	98.4	157.6	157.4
1985	I	106.9r	123.0r	115.0r	173.1r	98.9r	161.9	160.9r
	II	107.1p	123.6p	115.4p	174.6p	98.7p	163.0p	161.8p
Percent change from previous quarter at annual rate(5)								
1984	I	4.0	11.4	7.2	6.2	0.8	2.1	3.7
	II	4.9	11.2	6.0	1.9	-1.8	-2.9	2.9
	III	0.6	1.8	1.2	4.4	0.7	3.7	3.6
	IV	3.1	5.0	1.8	4.4	0.8	1.2	2.2
	ANNUAL	3.2	8.8	5.4	4.2	0.0	1.0	3.2
1985	I	-3.9r	0.0r	4.1r	4.8r	1.4r	9.1r	5.0r
	II	0.5p	1.8p	1.3p	3.3p	-0.8p	2.8p	2.1p
Percent change from corresponding quarter of previous year								
1984	I	3.5	10.2	6.5	4.1	-0.4	0.6	3.0
	II	3.3	9.9	6.4	4.0	-0.3	0.7	3.3
	III	2.7	8.0	5.1	4.6	0.4	1.9	3.6
	IV	3.2	7.3	4.0	4.2	0.1	1.0	3.1
	ANNUAL	3.2	8.8	5.4	4.2	0.0	1.0	3.2
1985	I	1.1r	4.4	3.2	3.8r	0.3r	2.7	3.4r
	II	0.1p	2.1p	2.1p	4.2p	0.5p	4.2p	3.2p

See footnotes following table 6.

r=revised
p=preliminary

July 25, 1985

Source: Bureau of Labor Statistics

Table 2. Nonfarm business sector: Productivity, hourly compensation, unit labor cost, and prices, seasonally adjusted

Year and quarter	Output per hour of all persons	Output	Hours of all persons	Compensation per hour(1)	Real compensation per hour(2)	Unit labor cost	Unit non-labor payments(3)	Implicit price deflator(4)	
Indexes 1977=100									
1984	I	105.2	118.0	112.3	166.5	98.4	158.3	152.2	156.3
	II	106.6	121.0	113.6	168.0	98.4	157.6	156.8	157.3
	III	106.3	121.3	114.1	169.5	98.4	159.5	158.0	159.0
	IV	106.9	122.7	114.8	171.0	98.5	160.0	160.3	160.1
	ANNUAL	106.2	120.7	113.6	168.7	98.4	158.8	156.9	158.2
1985	I	106.0r	122.8r	115.8r	173.1r	98.9r	163.3r	160.3r	162.3r
	II	106.2p	123.4p	116.2p	174.6p	98.7p	164.5p	161.2p	163.4p
Percent change from previous quarter at annual rate(5)									
1984	I	2.9	10.3	7.2	6.1	0.7	3.1	2.3	2.8
	II	5.5	10.6	4.8	3.7	0.0	-1.7	12.5	2.8
	III	-1.1	0.7	1.8	3.6	-0.1	4.7	3.1	4.2
	IV	2.2	4.7	2.4	3.7	0.1	1.4	5.9	2.9
	ANNUAL	2.7	8.5	5.7	4.1	-0.1	1.4	6.7	3.1
1985	I	-3.1r	0.5r	3.7r	5.0r	1.7r	8.4r	0.1r	5.5r
	II	0.5p	1.9p	1.4p	3.4p	-0.7p	2.9p	2.4p	2.7p
Percent change from corresponding quarter of previous year									
1984	I	3.5	10.6	6.9	4.0	-0.5	0.4	8.3	2.9
	II	2.9	9.7	6.6	4.0	-0.3	1.1	7.1	3.0
	III	2.1	7.6	5.4	4.4	0.2	2.3	5.7	3.4
	IV	2.4	6.5	4.0	4.3	0.2	1.9	5.9	3.2
	ANNUAL	2.7	8.5	5.7	4.1	-0.1	1.4	6.7	3.1
1985	I	0.8r	4.0r	3.2r	4.0r	0.4r	3.1	5.3r	3.8r
	II	-0.4p	1.9p	2.3p	3.9p	0.3p	4.3p	2.8p	3.8p

See footnotes following table 6.

r=revised
p=preliminary

July 25, 1985

Source: Bureau of Labor Statistics

Table 3. Manufacturing sector: Productivity, hourly compensation, and unit labor cost, seasonally adjusted

Year and quarter	Output per hour of all persons	Output (6)	Hours of all persons	Compensation per hour(1)	Real compensation per hour(2)	Unit labor cost	
Indexes 1977=100							
1984	I	114.2r	113.0r	98.9	167.1	98.8	146.3r
	II	114.8r	114.9r	100.1	168.3	98.6	146.6r
	III	116.7r	116.7r	100.0	169.9	98.7	145.5r
	IV	116.5r	116.7r	100.2	172.1	99.1	147.7r
	ANNUAL	115.6	115.3	99.8	169.4	98.8	146.5
1985	I	116.7r	117.0r	100.3r	174.4r	99.6	149.5r
	II	118.8p	117.7p	99.1p	176.4p	99.7p	148.5p
Percent change from previous quarter at annual rate(5) ~							
1984	I	5.5r	14.8r	8.8	6.2	0.8	0.6r
	II	2.2r	6.9r	4.6	2.9	-0.8	0.7r
	III	6.8r	6.5r	-0.2	3.7	0.1	-2.8r
	IV	-0.6r	0.0r	0.7	5.2	1.6	5.9r
	ANNUAL	3.5	10.5	6.7	3.6	-0.6	0.1
1985	I	0.4r	0.9	0.4r	5.6r	2.2r	5.1
	II	7.5p	2.5p	-4.7p	4.7p	0.5p	-2.6p
Percent change from corresponding quarter of previous year							
1984	I	3.8r	13.9r	9.7	2.7	-1.7	-1.0r
	II	3.6r	12.2r	8.3	3.3	-1.0	-0.3r
	III	3.3r	9.3r	5.8	3.9	-0.3	0.6r
	IV	3.4r	7.0r	3.4	4.5	0.4	1.0r
	ANNUAL	3.5	10.5	6.7	3.6	-0.6	0.1
1985	I	2.1r	3.5r	1.4r	4.4	0.8	2.2r
	II	3.5p	2.4p	-1.0p	4.8p	1.1p	1.3p

See footnotes following table 6.
 r=revised
 p=preliminary.

July 25, 1985
 Source: Bureau of Labor Statistics

Table 4. Durable manufacturing sector: Productivity, hourly compensation, and unit labor cost, seasonally adjusted.

Year and quarter	Output per hour of all persons	Output (6)	Hours of all persons	Compensation per hour(1)	Real compensation per hour(2)	Unit labor cost
Indexes 1977=100						
1984	I	115.3r	114.1r	98.9	165.8	143.8r
	II	116.1	116.6	100.4	167.0	143.8
	III	118.3	119.4r	101.0	168.1	142.1r
	IV	117.7r	119.5	101.5	170.1	144.4
	ANNUAL	116.9	117.4	100.4	167.7	143.5
1985	I	118.2r	119.8r	101.4r	172.9r	146.3r
	II	120.3p	120.3p	100.0p	175.0p	145.5p
Percent change from previous quarter at annual rate(5)						
1984	I	8.4r	20.3r	10.9	6.1	-2.2r
	II	2.8r	9.2r	6.2	2.8	0.0r
	III	7.6r	9.9r	2.1	2.6	-4.6r
	IV	-1.8r	0.3r	2.1	4.9	6.8r
	ANNUAL	4.8	14.4	9.1	3.2	-1.6
1985	I	1.5r	1.2r	-0.4r	6.9r	5.3r
	II	7.3p	1.6p	-5.3p	4.8p	-2.3p
Percent change from corresponding quarter of previous year						
1984	I	5.5r	18.5r	12.3	2.2	-3.1r
	II	5.1r	16.7r	11.1	2.9	-2.0r
	III	4.6r	13.4r	8.4	3.4	-1.2r
	IV	4.2r	9.7r	5.3	4.1	-0.1r
	ANNUAL	4.8	14.4	9.1	3.2	-1.6
1985	I	2.5r	5.0r	2.5r	4.3r	1.8r
	II	3.6p	3.2p	-0.4p	4.8p	1.2p

See footnotes following table 6.

r=revised
p=preliminary

July 25, 1985

Source: Bureau of Labor Statistics

Table 5. Nondurable manufacturing sector: Productivity, hourly compensation, and unit labor cost, seasonally adjusted

Year and quarter	Output per hour of all persons	Output (6)	Hours of all persons	Compensation per hour(1)	Real compensation per hour(2)	Unit labor cost	
Indexes 1977=100							
1984	I	112.5r	111.4r	99.0	169.5	100.2	150.6r
	II	112.9r	112.3r	99.5	170.6	100.0	151.2r
	III	114.4r	112.8r	98.6	172.7	100.3	151.1r
	IV	114.7r	112.7r	98.2	175.1	100.8	152.7r
	ANNUAL	113.6	112.3	98.9	171.9	100.3	151.4
1985	I	114.3r	112.8r	98.7	176.6	100.8	154.5r
	II	116.5p	113.9p	97.7p	178.6p	101.0p	153.3p
Percent change from previous quarter at annual rate(5)							
1984	I	1.3r	7.1r	5.8	5.8	0.5	4.5r
	II	1.2r	3.6r	2.4	2.7	-1.0	1.5r
	III	5.4r	1.5r	-3.7	5.1	1.4	-0.3r
	IV	1.1r	-0.4r	-1.5	5.5	1.9	4.3r
	ANNUAL	1.5	4.9	3.3	3.8	-0.4	2.3
1985	I	-1.3r	0.4r	1.7	3.5	0.2	4.9r
	II	8.0p	3.9p	-3.7p	4.7p	0.5p	-3.0p
Percent change from corresponding quarter of previous year							
1984	I	1.3r	7.5r	6.1	3.0	-1.4	1.7r
	II	1.3r	5.9r	4.5	3.3	-1.0	2.0r
	III	1.3r	3.4	2.1	4.3	0.1	2.9
	IV	2.2r	2.9r	0.7	4.8	0.7	2.5r
	ANNUAL	1.5	4.9	3.3	3.8	-0.4	2.3
1985	I	1.6r	1.3r	-0.3	4.2	0.6	2.6r
	II	3.2p	1.4p	-1.8p	4.7p	1.0p	1.4p

See footnotes following table 6.

r=revised

p=Preliminary

July 25, 1985

Source: Bureau of Labor Statistics

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Table 6. 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 compensation (1)	Real hourly compensation(2)	Unit labor cost	Unit non-labor cost(7)	Total unit cost (8)	Unit pro-fits (9)	Implicit price deflator (4)	
Indexes 1977=100											
1984	I	108.1	120.2	111.2	164.8	97.5	152.5	162.0	155.0	143.2	153.6
	II	108.9	123.1	113.1	165.8	97.2	152.3	162.8	155.0	151.1	154.6
	III	108.2	123.1	113.8	167.1	97.1	154.5	165.9	157.5	145.3	156.1
	IV	108.8	124.7	114.6	168.7	97.1	155.0	166.4	158.0	150.7	157.1
	ANNUAL	108.5	122.8	113.2	166.6	97.2	153.6	164.3	156.4	147.6	155.4
1985	I	108.1	124.9r	115.5	170.3r	97.3	157.5r	168.1r	160.2r	150.4r	159.1r
Percent change from previous quarter at annual rate(5)											
1984	I	3.6	11.6	7.7	5.7	0.4	2.0	-3.2	0.6	23.4	2.7
	II	2.8	9.8	6.8	2.4	-1.3	-0.4	2.0	0.2	23.8	2.6
	III	-2.5	0.2	2.8	3.2	-0.4	5.9	8.0	6.5	-14.5	3.9
	IV	2.5	5.2	2.6	3.7	0.2	1.2	1.1	1.2	16.0	2.7
	ANNUAL	2.3	9.0	6.6	3.5	-0.8	1.1	-0.4	0.7	25.9	3.0
1985	I	-2.5r	0.6r	3.3r	3.9r	0.6r	6.6r	4.0r	5.9r	-1.0r	5.1r
Percent change from corresponding quarter of previous year											
1984	I	4.0	11.8	7.5	3.6	-0.9	-0.4	-3.0	-1.1	54.8	2.8
	II	2.9	10.5	7.5	3.3	-1.0	0.4	-1.4	-0.1	35.2	2.9
	III	0.9	7.4	6.4	3.3	-0.9	2.4	0.9	2.0	14.7	3.2
	IV	1.6	6.6	5.0	3.8	-0.3	2.2	1.9	2.1	10.9	3.0
	ANNUAL	2.3	9.0	6.6	3.5	-0.8	1.1	-0.4	0.7	25.9	3.0
1985	I	0.0	3.9r	3.9r	3.3	-0.2	3.3r	3.8r	3.4r	5.0r	3.6r

See footnotes following table 6.
r=revised
p=preliminary

July 25, 1985
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.

RELIABILITY: Based on data covering the period from the first quarter of 1976 to the second quarter of 1984, the probability is 0.95 that the interval between -1.8 and 2.0 index points contains the revision of the index of productivity in the business sector from the first to the third quarterly publication of the estimate.

- (1) Wages and salaries of the 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) Quarterly changes: percent change compounded at annual rate from the original data rather than index numbers. Annual changes: percent change between annual average levels.
- (6) Quarterly measures adjusted to annual estimates of output (gross product originating) from the Bureau of Economic Analysis, U.S. Department of Commerce.
- (7) Unit nonlabor cost includes depreciation, interest, and indirect taxes.
- (8) Total unit cost is the sum of labor and nonlabor costs.
- (9) Unit profits include corporate profit and inventory valuation adjustment.