

News

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Washington, D.C. 20212

Historical, technical
information: (202) 523-9261
Current data: (202) 523-1221 or 1208
Media contact: (202) 523-1913

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PRODUCTIVITY AND COSTS
Third 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 third quarter of 1985. The seasonally adjusted annual rates of increase in major sectors of the economy from the second to the third quarter of 1985 were:

3.0 percent in the business sector,
1.2 percent in the nonfarm business sector,
2.4 percent in manufacturing,
2.7 percent in durable goods manufacturing, and
2.0 percent in nondurable goods manufacturing.

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

Business

Productivity increased at a 3.0 percent seasonally adjusted annual rate in the third quarter of 1985 in the business sector, as output grew 3.3 percent and hours of all persons increased 0.3 percent (table 1). During the second quarter, productivity had increased 1.5 percent as output and hours rose 2.7 percent and 1.2 percent, respectively. The slower rate of growth in hours in the third quarter reflected a continued slowing in employment growth and a further decline in the length of the average work week.

Hourly compensation increased at a 5.6 percent annual rate in the third quarter, compared with a 3.3 percent rise during the second 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), increased 3.1 percent in the third quarter, compared with a 0.9 percent decline during the second period. Unit labor costs, which reflect changes in productivity and hourly compensation, increased at a 2.6 percent annual rate during the third quarter, compared with a 1.7 percent gain in the second quarter.

Table A. Productivity and costs: Percent change at seasonally adjusted annual rates

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
PRELIMINARY						
Second quarter to third quarter 1985						
Business	3.0	3.3	0.3	5.6	3.1	2.6
Nonfarm business	1.2	3.2	2.0	3.9	1.4	2.7
Manufacturing	2.4	2.3	-0.1	2.9	0.5	0.5
Durable	2.7	1.8	-0.9	3.9	1.5	1.2
Nondurable	2.0	3.0	1.0	1.4	-1.0	-0.6
Third quarter 1984 to third quarter 1985						
Business	0.9	2.7	1.8	4.5	1.1	3.6
Nonfarm business	0.4	2.7	2.3	4.0	0.6	3.6
Manufacturing	2.2	1.3	-0.9	4.6	1.2	2.4
Durable	2.1	1.0	-1.1	5.1	1.7	2.9
Nondurable	2.3	1.7	-0.6	3.8	0.4	1.4

Nonfarm business

Productivity in the nonfarm business sector increased at a 1.2 percent annual rate in the third quarter, as output rose 3.2 percent and hours of all persons engaged in the sector rose 2.0 percent. During the second quarter, the same increase in productivity reflected slower growth in both output and hours (table 2). Although output growth was similar in business and nonfarm business, differences in hours growth resulted in a larger business productivity gain as farm hours declined sharply.

Hourly compensation increased at a 3.9 percent annual rate in the third quarter, and unit labor costs--compensation per unit of output--rose 2.7 percent. Real hourly compensation increased 1.4 percent in the third quarter in the nonfarm business sector.

Manufacturing

In manufacturing, output per hour of all persons increased at a 2.4 percent annual rate during the third quarter, as output rose 2.3 percent and hours of all persons declined 0.1 percent. During the second quarter, productivity increased at a 6.8 percent annual rate; output rose 2.0 percent while hours dropped 4.5 percent (table 3).

Hourly compensation increased at a 2.9 percent annual rate, compared with a 4.8 percent gain during the second quarter. Unit labor costs increased 0.5 percent, compared with a 1.9 percent decline in the second quarter (seasonally adjusted annual rates). Real hourly compensation increased 0.5 percent in the third quarter for persons engaged in manufacturing.

Although productivity increased faster among durable goods producers, output and hours were both weaker than among nondurable goods manufacturers (tables 4 and 5).

Nonfinancial corporations: revised second quarter measures

Productivity in nonfinancial corporations declined 0.3 percent in the second quarter, according to revised measures announced today. This sector includes all corporations doing business in the United States, except banks, finance and insurance agencies, and stock and commodity brokers. Output rose 1.9 percent while hours of all employees increased 2.2 percent (seasonally adjusted annual rates). These changes are based on the most complete measures of output, compensation, and labor input available; table B compares them with the results reported on August 27, based on preliminary information.

Table B. Preliminary and revised productivity and related measures for nonfinancial corporations, second quarter 1985
Percent change from previous quarter at annual rate
(Seasonally adjusted)

Item	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs	Unit nonlabor costs	Unit profits
Preliminary	-0.3	1.8	2.1	2.9	-1.2	3.2	4.1	-2.7
Revised	-0.3	1.9	2.2	3.0	-1.2	3.3	4.3	-3.9

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	106.9	123.0	115.0	173.1	98.9	161.9	160.9
	II	107.3	123.8r	115.4r	174.5	98.6	162.6r	161.7
	III	108.1p	124.9p	115.5p	176.9p	99.4p	163.6p	162.8p
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	15.4
	III	0.6	1.8	1.2	4.4	0.7	3.7	3.4
	IV	3.1	5.0	1.8	4.4	0.8	1.2	4.3
	ANNUAL	3.2	8.8	5.4	4.2	0.0	1.0	7.9
1985	I	-3.9	0.0	4.1	4.8	1.4	9.1	-2.6
	II	1.5r	2.7r	1.2r	3.3	-0.9	1.7r	2.1r
	III	3.0p	3.3p	0.3p	5.6p	3.1p	2.6p	3.2p
Percent change from corresponding quarter of previous year								
1984	I	3.5	10.2	6.5	4.1	-0.4	0.6	8.4
	II	3.3	9.9	6.4	4.0	-0.3	0.7	8.7
	III	2.7	8.0	5.1	4.6	0.4	1.9	7.1
	IV	3.2	7.3	4.0	4.2	0.1	1.0	7.4
	ANNUAL	3.2	8.8	5.4	4.2	0.0	1.0	7.9
1985	I	1.1	4.4	3.2	3.8	0.3	2.7	4.9
	II	0.3	2.4r	2.1r	4.2	0.5	3.9	1.8
	III	0.9p	2.7p	1.8p	4.5p	1.1p	3.6p	1.7p

See footnotes following table 6.

r-revised
p-preliminary

October 28, 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	106.0	122.8	115.8	173.1	98.9	163.3	160.3	162.3
	II	106.3	123.6r	116.2	174.6r	98.7	164.1r	161.8r	163.4
	III	106.7p	124.5p	116.8p	176.2p	99.0p	165.2p	163.7p	164.7p
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	-3.1	0.5	3.7	5.0	1.7	8.4	0.1	5.5
	II	1.2r	2.5r	1.3r	3.4r	-0.8	2.1r	3.7r	2.7r
	III	1.2p	3.2p	2.0p	3.9p	1.4p	2.7p	4.9p	3.4p
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	0.8	4.0	3.2	4.0	0.4	3.1	5.3	3.8
	II	-0.2r	2.1r	2.3	3.9	0.2	4.1r	3.2	3.8
	III	0.4p	2.7p	2.3p	4.0p	0.6p	3.6p	3.6p	3.6p

See footnotes following table 6.

r=revised
p=preliminary

October 28, 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	114.2	113.0	98.9	167.1	98.8	146.3
	II	114.8	114.9	100.1	168.3	98.6	146.6
	III	116.7	116.7	100.0	169.9	98.7	145.5
	IV	116.5	116.7	100.2	172.1	99.1	147.7
	ANNUAL	115.6	115.3	99.8	169.4	98.8	146.5
1985	I	116.7	117.0	100.3	174.4	99.6	149.5
	II	118.6r	117.6r	99.1	176.5	99.7	148.8r
	III	119.3p	118.2p	99.1p	177.8p	99.9p	149.0p
Percent change from previous quarter at annual rate(5)							
1984	I	5.5	14.8	8.8	6.2	0.8	0.6
	II	2.2	6.9	4.6	2.9	-0.8	0.7
	III	6.8	6.5	-0.2	3.7	0.1	-2.8
	IV	-0.6	0.0	0.7	5.2	1.6	5.9
	ANNUAL	3.5	10.5	6.7	3.6	-0.6	0.1
1985	I	0.4	0.9	0.4	5.6	2.2	5.1
	II	6.8r	2.0r	-4.5	4.8	0.6	-1.9r
	III	2.4p	2.3p	-0.1p	2.9p	0.5p	0.5p
Percent change from corresponding quarter of previous year							
1984	I	3.8	13.9	9.7	2.7	-1.7	-1.0
	II	3.6	12.2	8.3	3.3	-1.0	-0.3
	III	3.3	9.3	5.8	3.9	-0.3	0.6
	IV	3.4	7.0	3.4	4.5	0.4	1.0
	ANNUAL	3.5	10.5	6.7	3.6	-0.6	0.1
1985	I	2.1	3.5	1.4	4.4	0.8	2.2
	II	3.3r	2.3r	-0.9	4.8	1.1	1.5r
	III	2.2p	1.3p	-0.9p	4.6p	1.2p	2.4p

See footnotes following table 6.

r=revised
p=preliminary

October 28, 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	115.3	114.1	98.9	165.8	98.1	143.8
	II	116.1	116.6	100.4	167.0	97.8	143.8
	III	118.3	119.4	101.0	168.1	97.6	142.1
	IV	117.7	119.5	101.5	170.1	97.9	144.4
	ANNUAL	116.9	117.4	100.4	167.7	97.9	143.5
1985	I	118.2	119.8	101.4	172.9	98.7	146.3
	II	120.0r	120.1r	100.1r	175.0	98.9	145.8r
	III	120.8p	120.6p	99.8p	176.7p	99.3p	146.3p
Percent change from previous quarter at annual rate(5)							
1984	I	8.4	20.3	10.9	6.1	0.8	-2.2
	II	2.8	9.2	6.2	2.8	-0.9	0.0
	III	7.6	9.9	2.1	2.6	-1.0	-4.6
	IV	-1.8	0.3	2.1	4.9	1.3	6.8
	ANNUAL	4.8	14.4	9.1	3.2	-1.0	-1.6
1985	I	1.5	1.2	-0.4	6.9	3.5	5.3
	II	6.2r	0.7r	-5.2	4.9	0.7	-1.3r
	III	2.7p	1.8p	-0.9p	3.9p	1.5p	1.2p
Percent change from corresponding quarter of previous year							
1984	I	5.5	18.5	12.3	2.2	-2.2	-3.1
	II	5.1	16.7	11.1	2.9	-1.4	-2.0
	III	4.6	13.4	8.4	3.4	-0.8	-1.2
	IV	4.2	9.7	5.3	4.1	0.0	-0.1
	ANNUAL	4.8	14.4	9.1	3.2	-1.0	-1.6
1985	I	2.5	5.0	2.5	4.3	0.7	1.8
	II	3.3r	2.9r	-0.4	4.8	1.1	1.4r
	III	2.1p	1.0p	-1.1p	5.1p	1.7p	-2.9p

See footnotes following table 6.

r=revised

p=preliminary

October 28, 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	112.5	111.4	99.0	169.5	100.2	150.6
	II	112.9	112.3	99.5	170.6	100.0	151.2
	III	114.4	112.8	98.6	172.7	100.3	151.1
	IV	114.7	112.7	98.2	175.1	100.8	152.7
	ANNUAL	113.6	112.3	98.9	171.9	100.3	151.4
1985	I	114.3	112.8	98.7	176.6	100.8	154.5
	II	116.5r	113.9r	97.8	178.6r	101.0	153.4r
	III	117.0p	114.7p	98.0p	179.3p	100.7p	153.2p
Percent change from previous quarter at annual rate(5)							
1984	I	1.3	7.1	5.8	5.8	0.5	4.5
	II	1.2	3.6	2.4	2.7	-1.0	1.5
	III	5.4	1.5	-3.7	5.1	1.4	-0.3
	IV	1.1	-0.4	-1.5	5.5	1.9	4.3
	ANNUAL	1.5	4.9	3.3	3.8	-0.4	2.3
1985	I	-1.3	0.4	1.7	3.5	0.2	4.9
	II	7.8r	3.9r	-3.6	4.8	0.6	-2.8r
	III	2.0p	3.0p	1.0p	1.4p	-1.0p	-0.6p
Percent change from corresponding quarter of previous year							
1984	I	1.3	7.5	6.1	3.0	-1.4	1.7
	II	1.3	5.9	4.5	3.3	-1.0	2.0
	III	1.3	3.4	2.1	4.3	0.1	2.9
	IV	2.2	2.9	0.7	4.8	0.7	2.5
	ANNUAL	1.5	4.9	3.3	3.8	-0.4	2.3
1985	I	1.6	1.3	-0.3	4.2	0.6	2.6
	II	3.2r	1.4r	-1.8	4.7	1.0	1.5r
	III	2.3p	1.7p	-0.6p	3.8p	0.4p	1.4p

See footnotes following table 6.

r=revised

p=preliminary

October 28, 1985

Source: Bureau of Labor Statistics

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 profits (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	124.9	115.5	170.3	97.3	157.5	168.1	160.2	150.4	159.1
	II	108.1	125.5	116.1	171.6	97.0	158.8	169.8	161.6	148.9r	160.2
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	-2.5	0.6	3.3	3.9	0.6	6.6	4.0	5.9	-1.0	5.1
	II	-0.3	1.9r	2.2r	3.0r	-1.2	3.3r	4.3r	3.5	-3.9r	2.7r
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	3.9	3.9	3.3	-0.2	3.3	3.8	3.4	5.0	3.6
	II	-0.7	2.0r	2.7	3.5	-0.2	4.2	4.3	4.3r	-1.5r	3.6

See footnotes following table 6.

r=revised

p=preliminary

October 28, 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.