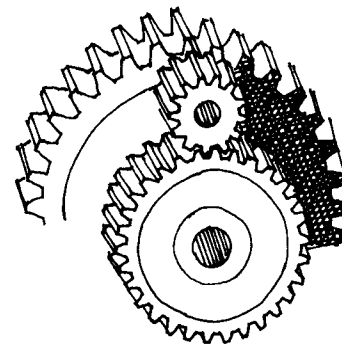


Productivity Reports



Long nonfarm productivity slide ends during the third quarter

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Productivity advanced in the private business and nonfarm business sectors in the third quarter of 1980. These gains were immediately reflected in slower growth of unit labor costs, which are important cost items to most employers. Manufacturing productivity continued to slip in the third quarter, although the declines in output and hours were much smaller than those during the second quarter.

In the private business sector, productivity increased 1.5 percent in the third quarter. The third-quarter increase reflected a 1.1-percent increase in output and a 0.4-percent decline in hours of all persons. One quarter earlier, productivity declined 1.9 percent as output fell at a 11.5-percent annual rate, equaling the most severe single-quarter output decline in the series, which occurred in the first quarter of 1975.

In the nonfarm business sector, productivity increased 3.7 percent in the third quarter, compared with a 3.0-percent decline one quarter earlier. This was the largest gain in more than 3 years. In this sector, the period of no productivity growth began in the second quarter of 1978¹.

In the nonfinancial corporate sector, productivity advanced 6.8 percent in the third quarter, as output increased at a 3.4-percent annual rate, while employee-hours declined 3.2 percent. This substantial productivity increase was the largest in 5 years.

In manufacturing, productivity declined 0.7 percent in the third quarter, reflecting the drop in durable goods. Nondurable productivity increased in the third quarter. In the sector as a whole, output dropped 7.3 percent and hours of all persons declined 6.6 percent. This was the fourth consecutive quarter of falling output and hours in manufacturing.

The following tabulation shows the third-quarter annualized rates of change in productivity, output, and hours paid for by major sector.²

<i>Sector</i>	<i>Productivity</i>	<i>Output</i>	<i>Hours</i>
Private business	1.5	1.1	-0.4
Nonfarm business	3.7	2.9	-0.9
Nonfinancial corporations . . .	6.8	3.4	-3.2
Manufacturing	-0.7	-7.3	-6.6
Durables	-3.4	-10.9	-7.8
Nondurables	2.9	-1.9	-4.7

Compensation, labor cost, and profits

Hourly compensation rose 9.7 percent in the private business sector in the third quarter of 1980, compared with a 12.2-percent increase during the second quarter. Compensation costs include wages and salaries as well as fringe benefits—paid leave and health plans, and employer-paid taxes—unemployment insurance, and social security.

Because productivity rose somewhat in the third quarter, the increase in unit labor cost was smaller than the gain in hourly compensation in the private business sector. The 8.1-percent gain in unit labor cost was substantially smaller than the 14.4-percent rise which occurred in the second quarter when productivity declined.

During the 8-quarter period of no productivity growth which was interrupted by the third quarter gains in the nonfarm business sector, unit labor cost increased 22.9 percent. The increase reflected a 20.4-percent gain in hourly compensation coupled with a 2.0-percent decline in output per hour over the span.

Real hourly compensation—compensation per hour adjusted by the seasonally-adjusted Consumer Price Index for all Urban Consumers (CPI-U)—increased 2.4 percent in the private business sector in the third quarter, the first increase in this series since the first quarter of 1979.

In the nonfarm business sector, hourly compensation increased 9.2 percent in the third quarter, and unit labor cost rose 5.3 percent. One quarter earlier, the gains were 11.2 percent for hourly compensation and 14.6 percent for unit labor cost. Real hourly compensation increased 2.0 percent, after showing no growth during preceding 9 quarters.

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Table 1. Components of the implicit price deflator for nonfinancial corporations, 1967-79

[Indexes, 1977 = 100]

Year	Implicit Price Deflator	Unit Labor Cost	Unit Nonlabor Payments	Unit Nonlabor Cost	Unit Profit
1967	59.2	58.2	61.0	51.9	80.2
1968	61.1	60.4	62.6	54.3	80.0
1969	63.7	64.2	62.8	59.0	70.7
1970	66.5	68.3	63.1	66.7	55.6
1971	68.8	69.4	67.8	70.2	62.7
1972	70.7	71.3	69.6	70.5	67.8
1973	73.4	74.9	70.7	71.9	68.0
1974	81.8	85.1	75.7	84.7	56.8
1975	90.7	90.6	90.9	96.8	78.4
1976	95.0	95.0	95.0	97.0	91.0
1977	100.0	100.0	100.0	100.0	100.0
1978	106.4	107.8	103.8	104.1	103.0
1979	114.8	118.2	108.3	112.7	99.0

Hourly compensation in manufacturing increased 12.7 percent in the third quarter (5.2 percent after adjusting for the rise in the CPI-U) and unit labor cost went up 13.6 percent. One quarter earlier, these costs rose 20.5 percent.

Hourly compensation outlays in nonfinancial corporation increased 10.3 percent in the third quarter, and unit labor cost rose 3.2 percent (annual rates). One quarter earlier, hourly compensation increased 12.0 percent and unit labor cost rose 12.6 percent. Real hourly compensation increased 3.0 percent in the third quarter.

Profits of nonfinancial corporations increased at a 34.7-percent annual rate in the third quarter, and profit

per unit of output rose 30.3 percent. Both profit series had shown declines in each quarter of 1979. Unit profits are quite volatile, but are only about 12 percent as large as unit labor cost. Since 1967, profits have grown 76 percent (unit profits went up 11 percent) while compensation outlays increased more than three and one-half times and unit labor cost increased 123 percent.

The implicit price deflator is influenced by changes in unit labor cost, unit nonlabor payments, and unit profits. Table 1 shows how these measures have interacted to determine the change in prices in the nonfinancial corporations since 1967. During the third quarter of 1980, the deflator for the nonfinancial corporate sector advanced 7.9 percent, compared with a 10.5-percent rise during the second quarter.

Employment and hours

Hours paid for of all persons in the private business sector declined 0.4 percent in the third quarter, reflecting a 0.3-percent decline in employment and a 0.1-percent reduction in the length of the average workweek. This was the second consecutive drop in employment, but the second-quarter drop was much larger—5.4 percent. As can be seen in table 2, the largest contribution to the decline in hours occurred in the manufacturing sector, which accounts for 28 percent of the private business sector.

In the nonfarm business sector, hours declined 0.9 percent in the third quarter, compared with a 9.4-percent decline during the second quarter. Employment was down 0.4 percent, and average weekly hours off 0.5 percent. Nonfarm business employment stands at 76.8 million and 2.8 million others are engaged in the farm sector.

In manufacturing, hours declined 6.6 percent in the third quarter, compared with a 17.6-percent drop during the second quarter. Employment was off 6.6 percent—to about 20.3 million—and average weekly hours increased 0.1 percent.

About 53.9 million employees work for nonfinancial corporations. During the third quarter of 1980, hours paid for of these employees declined at a 3.2-percent annual rate, reflecting a 2.7-percent decline in employment and a 0.6-percent drop in average weekly hours. □

FOOTNOTES

¹ The longest period of declining productivity in the private business sector began in the second quarter of 1973. Productivity growth resumed in the first quarter of 1975, 7 quarters later.

² More complete information may be found in tables 31-34 of the Current Labor Statistics section.

Table 2. Trends in hours in the private business sector, third quarter 1980

Worker category	Percent change in hours	Category share of hours	Contribution to trend
Total	-0.41	1.000	-0.41
Manufacturing	-7.24	0.275	-1.99
Durable	-9.07	0.167	-1.51
Nondurable	-4.37	0.108	-0.47
Transportation, communication, and public utilities	-2.33	0.070	-0.16
Transportation	-7.01	0.040	-0.28
Communications	1.84	0.018	0.03
Public utilities	7.60	0.012	0.09
Finance, insurance, and real estate	2.56	0.064	0.16
Services	4.59	0.127	0.58
Mining	-7.83	0.015	-0.12
Construction	-4.64	0.056	-0.26
Wholesale trade	-1.70	0.069	-0.12
Retail trade	1.60	0.157	0.25
Farm employees	-5.42	0.014	-0.07
Farm unpaid family workers	37.49	0.004	0.14
Farm proprietors	16.50	0.024	0.39
Nonfarm proprietors	9.36	0.098	0.91
Nonfarm unpaid family workers	6.74	0.005	0.03
Government enterprises	-0.30	0.022	-0.01
Sum of interaction terms ¹			-0.17

¹ A measure of how much of the total private business change results from the joint effect of individual worker category movements.