

## 44 PRICES AND COSTS IN MANUFACTURING INDUSTRIES

TABLE 13.—*Comparison of unit labor cost, average compensation, and productivity, 15 manufacturing industries,<sup>1</sup> 1948-56*

| [Percent change]                                           |                  |                           |                     |
|------------------------------------------------------------|------------------|---------------------------|---------------------|
|                                                            | Unit labor costs | Compensation per employee | Output per man-hour |
| 5 industries with highest increase in unit labor cost..... | 32               | 57                        | 20                  |
| 5 industries with lowest increase in unit labor cost.....  | 12               | 52                        | 36                  |

<sup>1</sup> All industries except tobacco, primary metals, textiles, apparel, and leather.

These conclusions are confirmed when we rank the 15 industries by their increase in productivity instead of their increase in unit labor costs (table 14). The five industries with the largest gains in productivity (averaging 37 percent) experienced wage increases no larger than the industries with the smallest gains in productivity (averaging only 18 percent). As a consequence unit labor costs rose by a substantially larger amount in the industries which experienced the smallest productivity gains.

TABLE 14.—*Comparison of productivity, average compensation, and unit labor costs, 15 manufacturing industries,<sup>1</sup> 1948-56*

| [Percent change]                                        |              |                           |                  |
|---------------------------------------------------------|--------------|---------------------------|------------------|
|                                                         | Productivity | Compensation per employee | Unit labor costs |
| 5 industries with highest increase in productivity..... | 37           | 54                        | 8                |
| 5 industries with lowest increase in productivity.....  | 18           | 55                        | 31               |

<sup>1</sup> All industries except tobacco, primary metals, textiles, apparel, and leather.

Because there appeared to be little if any correlation between advances in productivity and advances in wage and salary rates, those industries with the largest productivity gains had the smallest increases in unit labor costs. And because the variation in wage and salary increases was substantially less than the variation in productivity gains among these 15 industries, most of the differences in unit labor cost performance were due to the difference in productivity behavior.<sup>15</sup>

In the other five industries exceptionally large or exceptionally small changes in wage and salary rates were the dominant factor in explaining the relative behavior of unit labor costs. In the tobacco industry average wage and salary rates increased by 86 percent, while the rise in productivity was 26 percent, about the same as the average for all industries. The increase in average wage and salary rates in primary metals was 70 percent, and the increase in productivity only 18 percent. At the other end of the scale, increases in average wage and salary rates in leather and apparel were so far below average that, despite below average productivity performance, unit labor costs rose less than the average for all industries. In textiles, below average wage and salary increases were coupled with above average pro-

<sup>15</sup> For all 20 industries the coefficient of rank correlation between changes in output per man-hour and changes in average wage and salary rates (1948-56) was only 0.21.