TECHNICAL NOTE 1

THE SERVICE SECTOR: DATA ON OUTPUT, EMPLOYMENT, PRICES, AND INCOMES

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The purpose of this note is to present more fully some of the data which were developed during the investigation of inflation and growth in the service sector. The major findings have been reported in chapters 3 and 5 of the Joint Economic Committee "Staff Report on Employment, Growth, and Price Levels" (Washington, 1959).

The note is in three parts. Part 1 contains data on an aggregate basis for the entire service sector including finance and insurance, transportation, utilities, professional and other personal services. The second part presents more specific data for industries in three broad service groups: medical care, transportation and public utilities, and other nonprofessional services. Part 3 is a description of data and a report of preliminary analysis of prices and wages carried out on a cross section of large cities.

PART 1. THE SERVICE SECTOR IN THE AGGREGATE

I. OUTPUT

A. THE POSTWAR RECORD

The output of services in the private domestic economy increased nearly 50 percent in the postwar period. The rate of increase was rather steady at about 3.5 percent per year, although there was some acceleration in the rate of increase in the last part of the period.

Two sets of data are available which measure services output. One set presents deflated expenditure data; the other shows gross product originating (GPO) aggregated on an industry basis. The expenditure data is the service portion of personal consumption expenditure and includes purchases by households and private, nonprofit institutions. [1]

The gross product originating data is taken from Charles L. Schultze's monograph "Prices, Costs, and Output" and is based on estimates of net national income originating by industry. [2]

While the two sets of data should not be expected to match perfectly because of the differences in concept and scope, there is broad correspondence. The household operation expenditure category corresponds roughly to the public utility and communication industries; transportation generally with railroad and other transportation industries; and the other services-expenditure category with the personal services industry.[3] The other services category includes medical care, personal care, recreation, business services, and expenditure by private nonprofit groups.[4] Both sets of data omit housing because the major portion of housing "expenditure," and the major portion of the "output" of the real estate industry is imputed rental value of owner-occupied houses. Homeowners are assumed to be in the real estate business renting to themselves.[5]

[1] The basic source for this data is U.S. Department of Commerce, "U.S. Income and Output," a supplement to the Survey of Current Business, Washington, 1959. Table II-5. The personal consumption category accounts for about 70 percent of all service output. The rest, flowing to Government primarily, is outside the scope of this discussion.

[2] Charles L. Schultze, "Prices, Costs, and Output for the Postwar Decade: 1947-57," published by Committee for Economic Development, January 1960. See especially table 2, p. 29. A discussion of the methods used in estimating the indexes is included there.

[3] The "service industry" itself is an aggregate. A listing of its components is presented in the appendix. When the term "service sector" is used we mean the "service industries" plus the finance and insurancer transportation, communication, and public utilities industries.

[4] See appendix for a listing of the coverage of service sector as defined for Department of Commerce expenditure data.

[5] See Schultze, op. cit., p. 28.