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Nonmanufacturing industry contributions to multifactor productivity, 1987–2006

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ABSTRACT

To overcome data deficiencies in measuring trends in U.S. nonmanufacturing productivity, the Bureau of Labor Statistics, the Bureau of Economic Analysis, and the Census Bureau have expanded and improved the measurement of service sector and other data; even with these changes, many nonmanufacturing industries continue to exhibit negative productivity trends.

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EXCERPT

The share of U.S. employment devoted to services has increased steadily over time. The largest share of nonmanufacturing industries, the service sector has grown at the expense of the manufacturing sector, which now represents 12 percent of business sector employment. The growth of services has led researchers and policymakers to demand more and better data on service and other nonmanufacturing industries in order to get a clearer picture of overall economic growth.

Productivity growth, or output per unit of input, is a key component of economic growth. Changes in what is produced are partly explained by changes in the inputs into production; the portion that is not explained by the inputs used is called *productivity*, of which there are two measures. *Labor productivity*, measured as output per hour worked by all employed persons, describes contributions to output made by capital and other measurable and nonmeasurable inputs. *Multifactor productivity*, measured as output per unit of labor, capital, and other measurable inputs, describes the intangible influences on labor productivity, such as improvements in efficiency and technology.

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