Much has been made of the U.S. productivity slowdown, which began in the early 1970s. Productivity, or output per labor hour, grew at an average annual rate of about 2.3% from 1959 to 1973, but only around 0.8% from 1974 to 1993. The causes of this slowdown are unclear. Some economists point to the oil shock of 1973, measurement error, sectoral reallocation, and technological innovation due mainly to computers (since it takes time for workers to learn new techniques).

A further complication in pinpointing the source of the productivity slowdown is the lack of uniformity across sectors. For example, annual productivity growth in manufacturing remained steady, averaging about 2.6% between 1949 and 1973 and 2.5% between 1974 and 1994. Even within that sector there was substantial variation. Nondurables manufacturing exhibited a slight decline in productivity across the two periods, while durables showed a modest increase. A further breakdown indicates that large productivity gains occurred in industrial machinery, which includes computer equipment, and electrical equipment. By contrast, growth in printing and publishing, chemicals, petroleum, and lumber increased by less than half in the latter period compared to the former.

Over the entire 44-year span, there was a substantial labor reallocation within the manufacturing sector as well as an overall downward trend in employment. A movement of labor to less productive sectors may partially explain the productivity slowdown.