

# Workforce Productivity Could Lead To More Jobs

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WASHINGTON (AP) — The work force was more productive in the summer than originally thought, reflecting the fact that the economy produced more goods and services than first estimated.

Despite the revision, the efficiency of U.S. workers is increasing at a much slower pace than last year and economists say that could signal more hiring in the near future.

Productivity grew at an annual rate of 2.3 percent in the July-September quarter, an improvement over an initial estimate of 1.9 percent productivity growth, the Labor Department said Wednesday. Labor costs fell at an annual rate of 0.1 percent, unchanged from the initial estimate made a month ago.

Productivity measures the amount of output per hour of work. The upward revision follows a higher second estimate for economic growth in the third quarter of 2.5 percent. When the economy produces more goods and services with essentially the same work force, productivity rises.

In 2009, productivity rose 3.5 percent, the biggest advance in six years. Since the start of this year, productivity has averaged a much slower 1.5 percent growth rate.

Economists see the slowdown as an encouraging sign that companies will have to step up hiring of laid-off workers. A rebound in hiring would provide a welcome boost at a time when unemployment remains 9.6 percent.

Companies cut 8.4 million jobs from December 2007 to December 2009 and produced more with their leaner staffs. So productivity surged. However, economists believe many companies have reached the limit on how much they can stretch their existing work forces.

If companies increase hiring, that would boost incomes and give households more money to increase spending. Consumer spending accounts for 70 percent of economic activity. Weakness in spending has been a key reason the economy has been growing at sub-par rates over the past year.

While slower productivity would normally raise worries about inflation, economists said the bigger concern at the moment is deflation, a painful period of falling prices and wages.

The Federal Reserve on Nov. 3 announced that it would buy an additional \$600 billion in Treasury bonds over the next eight months to help lower interest rates and spur the economy. Fed policymakers cited concerns of potential price declines as a reason for the move.

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The 0.1 percent drop in unit labor costs in the July-September quarter marked the second quarterly decline in the past three. For all of 2006, labor costs fell 1.6 percent. That was the largest annual decrease on records that go back to 1948 and underscored the downward pressure that a severe recession was exerting on wages.

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