# 1Q U.S. Worker Output Fell By Most In A Year

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WASHINGTON (AP) — U.S. worker productivity fell from January through March by the most in a year. Stronger hiring at the start of the year was partly responsible for the drop.

While worker output rose, the number of hours worked increased by an even larger amount. That lowered productivity in the first quarter at an annual rate of 0.5 percent, the Labor Department said Thursday.

Productivity is the amount of output per hour of work. It fell after increasing at an annual rate of 1.2 percent in the October-December quarter.

A decline in productivity could be a positive sign for jobseekers. It could signal that companies are struggling to squeeze more from their work forces and must hire to meet rising demand.

"One reason that employment increased at a faster pace in the first quarter is that firms are finding it harder to improve the efficiency of their existing work forces," said Paul Ashworth, chief U.S. economist at Capital Economics.

The bad news for workers — and good news for companies — is that hourly compensation increased just 1.5 percent, Ashworth noted. That was a key reason labor costs rose at about a 2 percent rate in the first quarter, slower than the 2.7 percent increase in the fourth quarter.

Lower labor costs should eventually help push inflation below the Federal Reserve's target rate of 2 percent, Ashworth noted. That would leave the Fed more room to stick with its plan to keep interest rates near zero at least through 2014.

Productivity grew last year at the slowest pace in nearly a quarter century after rising sharply in 2010. The main reason productivity soared in 2010 was that it followed the worst recession in decades, when employers laid off millions of workers.

Economists said the trend is typical during and after a recession. Companies tend to shed workers in the face of falling demand and increase output from a smaller work force.

Once the economy starts to grow, demand rises and companies eventually must add workers if they want to keep up.

It was the first drop since a 0.3 percent fall in the April-June quarter of last year and was the largest since a 1 percent drop at the start of 2011.

Economists expect productivity growth will remain weak this year. Economists at JPMorgan are forecasting productivity will rise 0.7 percent this year as companies add more workers.

Hiring slowed in March after a strong start this year. The economy added just 120,000 workers — half the monthly average from December through February.

The government will report on April job growth Friday. Economists expect employers added 163,000 last month, according to a survey by FactSet. The unemployment rate is expected to stay unchanged at 8.2 percent.

With so many people out of work and looking for jobs, there is little chance that wage pressures will get out of hand, economists note.