

U.S. Worker Productivity Up 1.6 Percent In 2Q

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WASHINGTON (AP) — U.S. companies got slightly more out of their workers this spring after scaling back on hiring. The modest 1.6 percent annualized gain in productivity from April through June signals employers may need to hire more if demand picks up.

The Labor Department said Wednesday that the increase followed a 0.5 percent decline in the January-March quarter, less than first estimated.

Productivity is the amount of output per hour worked. Rising productivity can slow job creation because it means companies are getting more from their current staff and don't need to add workers. Still, there are limits to how much companies can get from their existing work forces.

Productivity is increasing at a relatively weak pace. It is up only 1.1 percent compared to a year ago. Since 1947, productivity gains have averaged 2.2 percent a year. So companies may need to hire more workers if they can't produce enough goods to meet demand.

Modest productivity growth "isn't great for corporate profits, but it helps employment," said Paul Ashworth, an economist at Capital Economics.

Labor costs rose 1.7 percent. That's below the first quarter's 5.6 percent increase, a much bigger gain than first estimated. In the past year, however, labor costs rose only 0.8 percent. That's a sign employees aren't getting big raises and indicates inflation will likely remain tame.

One reason productivity improved is that hiring slowed in the second quarter. Employers added an average of only 75,000 jobs a month from April through June. That's down from an average of 226,000 a month in the first quarter.

The total amount of time U.S. workers spent on the job rose only 0.4 percent. That's down from 3.2 percent in the first quarter.

At the same time, total output rose 2 percent. When output grows faster than hours worked, productivity rises.

U.S. employers added 163,000 jobs in July, the Labor Department said last week. The unemployment rate edged up to 8.3 percent. Hiring probably won't accelerate from that level unless growth picks up or productivity slows, economists say.

Higher productivity boosts corporate profits, but can slow hiring in the short run. In the longer run, higher productivity also raises living standards for workers. It allows companies to increase workers' pay without pushing up inflation.

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Productivity grew only 0.7 percent last year 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.

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