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Work force cranks it out

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You know that more is being asked of you at work. And now the government confirms that Americans — at least those who still have jobs — are working harder.

Employee productivity increased during the second quarter of 2009 by the most since the autumn of 2003, the U.S. Labor Department said Tuesday.

The gain in productivity, which measures how much in goods and services each worker produces each hour, rose at an annual rate of 6.4 percent in the April-June period.

The economy actually shrank slightly during the quarter, so the productivity gain was due simply to the fact that fewer and fewer employees were able to crank out almost as much as larger work forces had in the past. The United States has lost 6.7 million jobs since the recession began in December 2007.

But take heart, as you drag yourself home at the end of the day: The rise in productivity probably is another sign that the recession is either drawing to a close or may already be over.

It's common for productivity to rise sharply at the beginning of an economic recovery. As the last five U.S. recessions ended, productivity increased at an average rate of 5.8 percent during the first quarter of recovery, much higher than the overall long-term rate of about 2 percent, according to Labor Department figures.

So far, U.S. companies are benefiting more from the higher productivity than workers are. With wages essentially flat, companies that cut their work forces are lowering a key cost of doing business — their payrolls. As a result, the government said, company labor costs decreased at a 5.8 percent pace in the second quarter, the biggest drop since 2001.

This downward pressure on the cost of production helps ease the prices passed on to consumers, said Mark Zupan, dean of the William E. Simon Graduate School of Business Administration at the University of Rochester.

"Firms have been finding ways to build better mousetraps ... or to build them less expensively," said Zupan.

He agreed that higher productivity could signal an end of the recession and the start of recovery, and noted that companies are able to increase their profits even when global consumer demand is down.

In fact, data compiled by Bloomberg News showed that 72 percent of the nation's largest companies — those whose stocks are part of the Standard & Poor's 500 index — have reported second-quarter profits that were better than Wall Street analysts were expecting. Higher productivity is the key reason for this, economists said.

At Xerox Corp., the company employs a productivity technique called Lean Six Sigma, which removes waste and variations from its projects.

In the first quarter of 2009, Xerox expanded the process to a particular supply chain supporting its business in the Western Hemisphere, and the company expects to save $2.5 million on an annualized basis.

Douglas E. Burgess, senior vice president of Lean Six Sigma, cited the supply-chain efficiency as just one example of how Xerox has raised productivity.

Although a few companies are starting to rehire workers as they see the economy beginning to improve, Larry Southwick, a professor at the State University of New York at Buffalo, said he doesn't foresee a quick turnaround. Consumer demand must go up for hiring to resume on a widespread basis, Southwick said.

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