Worker output up 1.6% in 2Q

Firms may need to hire if demand rises

By Christopher S. Rugaber
Associated Press

WASHINGTON — 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 boost corporate profits, but also slow job creation because it means companies are getting more from their current staff. Still, there are limits to how much companies can get from their existing workforces.

Productivity is increasing at a relatively weak pace. It is up only 1.1 percent compared with a year ago.

Since 1947, productivity gains have averaged 2.2 percent a year, so companies may need to hire more workers if they see only modest gains in productivity and more demand for their products.

"In the near term, it's unlikely that firms will be able to increase output much further without proportional increases in hiring," said Erik Johnson, an economist at IHS Global Insight.