



## Productivity Becomes Latest Barrier to Job Growth

By Douglas A. McIntyre, September 28, 2011

Productivity has grown enough among U.S. private companies that it may be the single largest hurdle the job market in America faces now. New research from Sageworks shows that per-employee profit will be \$15,278 this year. That is up from \$12,488 in 2010 and \$10,045 in 2009, when the number almost certainly was hurt by the lower total sales many companies faced because of the recession. The 2011 figure is by far the highest it has been in a decade.

Economists have said for some time that U.S. companies can only keep employment at recession levels for so long. A recovery will result in job additions because sales improvements require larger work forces. That theory has fallen apart for two reasons.

The first is that worker productivity has reached at an unprecedented level. Companies may not have expected this because they have not been forced to push for it before, at least not since the deep recessions of the 1970s and early 1980s. Productivity gains have resulted from experiments with the use of part-time workers and employees who work longer hours to improve efficiency. The trials succeeded. That is probably because Americans are willing to take almost any work as joblessness lingers above 9% and is not expected to drop much over the next year.

The second reason productivity is so high is that employers may believe the recession that began in early 2008 has not ended. A number of polls say Americans feel that way. Corporate management is likely to hold the same belief. Adding workers is a risk not worth taking if there are no expectations of revenue improvement.

The rise of extraordinary productivity shows that federal government programs to increase jobs may be nearly useless. Tax credits for employees added are unnecessary when no additions are needed. Infrastructure projects underwritten by Washington inevitably are slow to start because of the nature of bureaucracy. Better to hold off until the last moment to see exactly when the federal government will fund a project than to add people who may or may not be needed to carry out work, which may not be financed for months or even years.

Productivity has been the goal of corporate America at least since the start of the industrial age. It has reached a zenith, or nearly so. That means employers can wait out a downturn or, alternatively, see if there is a bit more blood left in the stone that is the people who work for them now.

For the full article featuring Sageworks' private company data, please visit [24/7 Wall St. - Productivity Becomes Latest Barrier to Job Growth.](#)