

Households left behind as productivity surges

US: Productivity rose 6.9 percent, labor costs fell 5.9 percent in 4th quarter

By Martin Crutsinger

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WASHINGTON - Productivity in the final three months of last year surged at a faster pace than previously thought as labor costs fell more rapidly.

The Labor Department reported Thursday that productivity jumped at an annual rate of 6.9 percent in the fourth quarter, even better than an initial estimate of a 6.2 percent growth rate. Unit labor costs fell at a rate of 5.9 percent, a bigger drop than the 4.4 percent decline initially estimated.

The combination of rising productivity and falling labor costs bolsters company profits and helps keep inflation at bay. But it also puts American households under stress, leaving them with less income to increase consumer spending, the key ingredient to economic growth.

Productivity has posted sizable increases for three straight quarters, indicating that companies were squeezing more output from their reduced work forces as they struggled to cope with the deepest recession in decades.

Over the past two years, 8.4 million Americans have lost their jobs.

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