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Productivity up as wage growth slows

By Barbara Hagenbaugh, USA TODAY

WASHINGTON — Americans who are hanging onto their jobs are working harder, but they're not getting much more cash for their efforts.



Productivity jumped 5% per quarter from the third quarter of 2001 through the third of 2002.

AP file

Average hourly pay for production and non-supervisory workers rose 3% in 2002, the weakest gain in seven years, the Labor Department said Friday. That happened while productivity — worker output per hour — skyrocketed as those employees took up the slack after co-workers were laid off. The department does not track pay for higher-level employees.

Although some economists say the slow wage growth does not bode well for consumer spending, the biggest piece of U.S. economic activity, others note that at \$14.98, average hourly pay in December still was the highest on record and that the yearly gain outpaced inflation.

"That is good news for the economy going forward," says James Smith, chief economist at the Society of Industrial and Office Realtors.

Behind the small raises in the report:

- Workers now just want to hold onto their jobs and are unlikely to seek more pay.
- Health insurance costs are soaring and employers are balancing some of the higher premiums by reducing raises.
- There are some signs that bonuses and commissions are becoming a bigger part of the pay package. Those would not be included in the government data.

Richard Chaifetz, CEO of Chicago-based employee-assistance provider ComPsych, says the increased workload and small raises have led to "more stress and discontent." Calls to the firm's help lines are up 10% this month compared with the same period a year ago.

The wage news came as the government said the unemployment rate was

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USA TODAY

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The wage news came as the government said the unemployment rate was steady at 6% in December. But on a seasonally adjusted basis, 101,000 non-farm jobs were cut — the biggest drop since February — as retailers hired fewer seasonal workers than in previous years.

A total of 181,000 jobs were lost in 2002 after a 1.4 million drop in 2001. It was the first back-to-back annual job decline since 1957-1958. Productivity jumped an annualized average 5% per quarter from the third quarter of 2001 through the third quarter of 2002, the period of most recent data. That's the fastest gain in nearly two decades.

Despite the gloom, most economists see a quick turnaround in the jobs numbers in January.

Thomas Johnston, president of Worldbridge Partners, a placement and temporary staffing firm in Cleveland, says he has seen a big increase in activity in the last six weeks. Until recently, firms that were hiring have been seeking only one or two new workers at a time. Now he's working with 40 companies looking for a combined 3,000 to 4,500. "We're actually seeing things getting much more positive," he says.

ComPsych's Chaifetz advises CEOs to do all they can to pat workers on the back even if they can't afford big raises. "The companies that don't take care of the best and the brightest right now will probably lose them when the economy improves," he says.