US corporations squeezing more output from workers and paying lower wages

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US Labor Department data released yesterday showed productivity up 6.4 percent in the second quarter, the largest gain since 2003 and higher than economists' forecasts of 5.5 percent. Over the same period, workers' compensation fell sharply.

The Bureau of Labor Statistics explained that productivity—which measures hourly output per employee—increased "due to hours worked declining faster than output."

In other words, big business is using the rise in unemployment to extract greater output from employed workers through speedup and other forms of intensified exploitation.

Nonfarm productivity rose 6.4 percent as a result of output declining by 1.7 percent and total hours worked plummeting 7.6 percent.

Data also showed that real hourly employee compensation fell by 1.1 percent in the second quarter, or by 2.2 percent on an annualized basis. The combined impact of declining wages and rising productivity brought unit labor costs down by a huge 5.8 percent in the three months from April to June.

In manufacturing, quarterly productivity rose 5.3 percent, a result of output falling by 9.9 percent and hours by 14.4 percent. In the durable manufacturing sub-category, the output and hours decline was even greater—16.5 percent and 19.6 percent respectively.

The recent productivity boost, unlike that seen in previous periods, has involved no developments in productive technique. Mark Vitner of Wells Fargo Bank told Dow Jones Newswire that the second quarter gain "is almost entirely the result of cost-cutting, not improved ways of producing goods and providing services."

Several commentators frankly admitted that the productivity boost was the product of intensified pressure on the working class. In a comment for Dow Jones' *MarketWatch*, Tom Bernis wrote: "Anybody lucky enough to hang onto his or her job in this recession is working flat out to keep it. That's one take on the latest US productivity numbers...

"The severity of the recession has pushed the hours worked to levels not seen since the mid-1990s, even as units of output have risen nearly 40 percent. So, with the economy essentially in 'idle,' it takes far fewer workers to keep things moving than nearly a decade-and-a-half ago. That's good news for profits, but not so good for the unemployed."

Ian Shepherdson, chief domestic economist for High Frequency Economics, added: "These are spectacular numbers and help explain why so many recently reporting companies have beaten earnings estimates."

Bloomberg News highlighted DuPont, the third-biggest US chemical company, which last month announced a better-than-anticipated $417 million second quarter profit. This was achieved after outlining a strategy to cut fixed costs by $1 billion, partly by laying off 2,500 permanent workers and 10,000 contractors. "Our aggressive actions to improve productivity and reduce costs across the company are paying off," Chief Executive Officer Ellen Kullman declared.

According to *Time* magazine's Justin Fox, a recent report by the Goldman Sachs portfolio strategy team compared current corporate profits with previous periods. In an extraordinary finding, the researchers concluded that if financial companies, auto producers and utilities are excluded, corporations in the S&P 500 index had higher profit margins during the worst of the current crisis than they did during any point of the mid-1980s economic boom.

This conclusion points to the class character of the Obama administration and the social interests being served by its policies.

The economic policies advanced by successive Democratic and Republican administrations over the last three decades produced significant productivity increases at the same time that average real wages stagnated or declined. This led to an unprecedented shift in national income distribution, away from wages towards corporate profits, massively increasing social inequality.

These tendencies are accelerating, with the Obama administration, on behalf of the major corporations and banks, advancing a sweeping economic restructuring agenda aimed at permanently driving down workers' wages and conditions. Every aspect of the administration's agenda—from the bailout of the banks, to mass layoffs and wage and benefit concessions in the auto industry, to sweeping cuts in health care for workers and retirees—is directed towards protecting the ruling elite's wealth at the expense of the majority of the population.

Obama sent a clear signal to big business with the restructuring of the auto industry. The federally supervised bankruptcy of General Motors and Chrysler involved the destruction of large sections of each company's productive capacity, the elimination of tens of thousands of jobs, and the imposition of wages and conditions equivalent to those last experienced in the industry in the 1930s. This set the stage for an economy-wide corporate offensive against jobs, wages, and conditions, the initial results of which are reflected in the latest productivity and labor cost data.