

Lower Productivity Boosts Prices

THE gap between what employed people can do and what they will do is costing both employers and consumers.

Lowered productivity results in higher costs to turn out whatever is being produced, causing more greatly inflated prices.

During the first quarter of this year, output per man hour in the private economy declined at the annual rate of 3.6 percent, according to the Bureau of Labor Statistics. Unit labor costs were up 8.4 per cent from a year earlier.

These higher costs are passed along to consumers and are accepted, with some complaining, as inevitable facts of life.

This might not be so bad if productivity gains were obtained to offset part of the rising labor costs. But the decline in output per man hour added to the increase in cost per man hour on the job, in pay and benefits, may be hard to live with.

Businesses and industries are having to pay workers more and more for producing less and less, making prices go up and up.

The coal strike resulted in loss of productivity, not only in the mining industry, but also in industries which use coal to turn out other products. This includes steel for automobiles, buildings and machines that cost more than before the strike.

In a recent interview published by U.S. News & World Report, C. Jackson Wray, Jr., authority on wages, prices and productivity, warned that if the slowdown in productivity continues, "the United States will lose its competitive edge." Jobs that ought to be held by American workers will go to workers in other countries.

Unions are campaigning for shorter work weeks, arguing that this would make more jobs, reducing unemployment. The joker is that they demand the same or higher pay for shorter weeks.

Business analysts say the 4-day week is not likely to become general practice any time soon. But they did not believe that "flexitime" would become widely used, either. This

system is reported to be in use by 13 percent of all businesses now.

Auto workers have set a pattern, because next year they will receive seven paid personal holidays in addition to regular holidays. This is the equivalent of seven 4-day weeks a year, and it means workers will produce fewer cars that will cost more.

The attitude of producing less for more is not limited to manual workers. A Business Week magazine survey turned up many older managers who seem to be inclined to quit work after a certain number of hours, perhaps leaving problems unsolved and reducing productivity.

Somewhere along the line, in our eagerness to be sure that the workers are adequately rewarded for their contributions to the total result, we have lost sight of an important business goal.

That is to turn out the best quality products possible at the lowest practical cost to keep the business operating at a profit so that those engaged in it will continue to have jobs.