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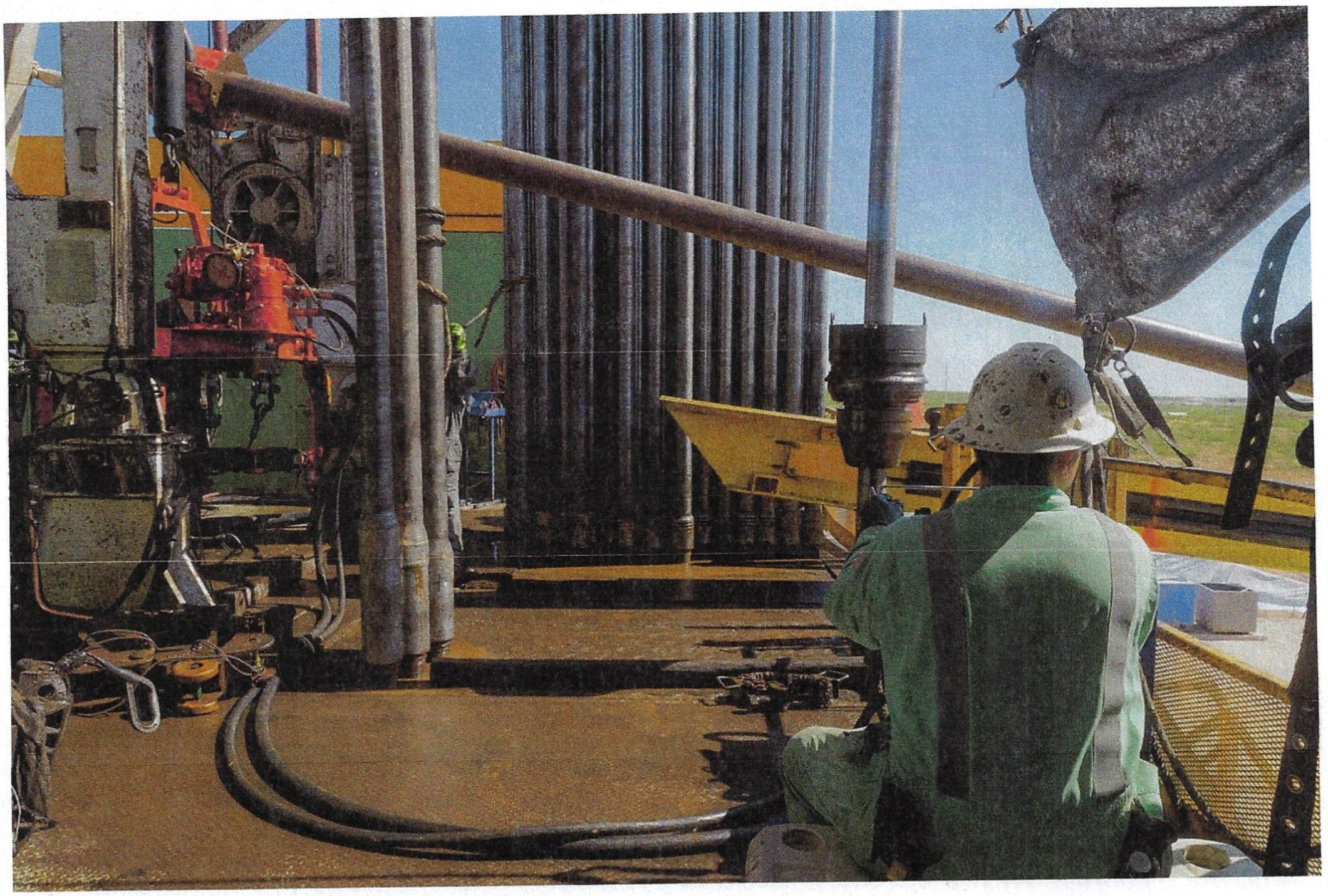
Workers more productive than ever; AI isn't the key



A worker at an Elevation Resources well in the Permian Basin near Odessa, Texas, in 2024. Technology has helped the oil and gas industry run with fewer workers. DESIREE RIOS — NEW YORK TIMES FILE

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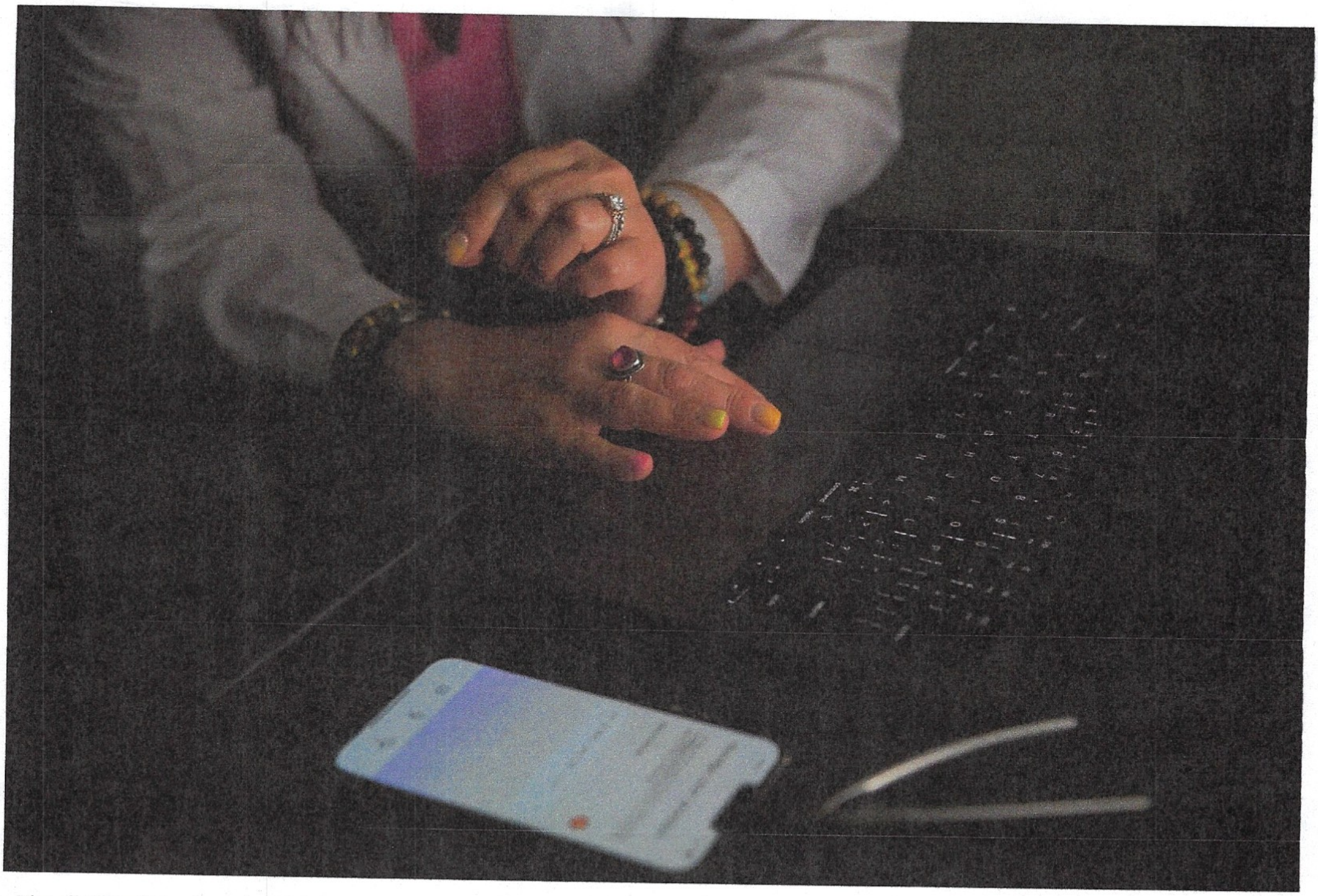

The digitization of work, which accelerated since the beginning of the COVID-19 pandemic, has helped bolster productivity gains. MADDIE MCGARVEY — NEW YORK TIMES FILE

BY TALMON JOSEPH SMITH

THE NEW YORK TIMES

Economists and CEOs are divided over whether artificial intelligence is making American workers more productive yet.

Zoom out, though, and a quieter trend is hiding in the data. For years now, "labor productivity" — an economic measure of how much each worker produces — has been climbing at its fastest pace in at least two decades. AI is merely a fresh ingredient in the gumbo of forces propelling the trend, not the central one, at least for now. Tight labor markets, digitization and remote work are among other parts of the mix.

"I never thought I'd see this many years of really high productivity and, by the way, expect it to continue," Jerome Powell told reporters in March, before he stepped down as Federal Reserve chair. "And we haven't really started to see the effects of generative AI."

In the best of times, productivity gains are a sign that workers are using new tools or updated methods to work more efficiently; smarter, not just harder. This can offer a win-win to workers, customers and business owners: If firms can produce more in the same or fewer work hours, then presumably they can increase revenue, reinvest in operations and pay workers more, all without sacrificing profitability — or relying on price increases to push profits higher.

Henry McVey, an investment chief at KKR, a private equity firm, said he was seeing exactly that across its portfolio — in healthcare, tech and retail. Restaurant chains are using cloud computing to manage inventory better. Remote work has helped companies hire from a bigger talent pool. Medical records have gone digital.

"I believe the productivity gains began coming out of COVID with the digitization of work, remote work and the implementation of machine learning — and we're just scratching the surface on AI," McVey said.

Another driver of sunnier productivity numbers has been low unemployment, which has stayed at or below 4.5% since October 2021 — the longest streak since the 1960s. When nearly everyone who wants a job has one, employers have to pay more to attract workers, which pushes them to find efficiencies elsewhere.

That can become self-reinforcing, said Chirag Lala of the Center for Public Enterprise, a nonprofit focused on economic development, especially if AI starts paying off. "Once we get started on a trend with consumption, incomes or productivity, it's like inertia," he said. Breaking it takes a serious shock.

Staffing adjustments

McVey pointed to another, more solemn reason productivity is up: job cuts. There have been significant layoffs in finance and tech, two industries that generate an outsized share of corporate profits. Tech employment has shrunk for 18 consecutive months. Finance has lost more than 100,000 jobs since a peak in May 2025.

A Federal Reserve survey of businesses this spring noted that many companies said AI-driven efficiencies had allowed them to delay or skip hiring altogether. A separate index of corporate earnings calls, compiled by Bloomberg, reported a reduced appetite for hiring in nearly every industry. In the Permian Basin in West Texas, the heart of America's world-leading oil industry, companies are running leaner than ever, said Steve Pruett, CEO of Elevation Resources. He credits industry consolidation, along with better drilling technology.

"We used to just drill 2 miles down and 1 mile out," Pruett said. "As tech improved and we got better at it, we still drill 2 miles deep, but now we drill 2 miles out, the well produces more, there are better rates of return on those 'longer laterals' and better productivity per rig."

Around the time Elevation was founded in 2013, the oil and gas industry employed about 200,000 people. By this summer that had fallen to roughly 115,000, even as profits and output per worker climbed.

The job loss is clearly bad news for the workers affected when companies become leaner. But economists generally view "doing more with less" as a plus for the economy overall.

For the "professional and business services" sector, tracked by the Labor Department, productivity growth has been at or above 3% annually since 2021. Employment in the sector has fallen since 2023, leading to a slew of discouraged job seekers — even as the healthcare, social assistance and education sectors have helped pick up the slack in overall job growth.

The economy's continued better-than-expected growth, despite subdued immigration and waves of baby boomer retirements, is also a sign of the increased productivity among "prime-age" workers ags 25 to 54.

Mike Skordeles, the head of U.S. Economics at Truist, a bank based in Charlotte, N.C., said he was already producing more research than previously — a result of improved tools for data analysis and modeling.

Only a few years ago, he said, "I would have had or hired three lower-level junior economists doing some of the charting and stuff that I can now do with the click of a button."

Not everyone is convinced of a rosy read on recent productivity data. Productivity numbers are notoriously noisy in the short run, skeptics note.

And to the extent tech evangelists have attributed existing gains to AI, some experts remain unconvinced. The Yale Budget Lab's AI Labor Market Tracker, for instance, has found no clear link between AI adoption and employment changes.

Who benefits?

Whether corporate efficiency gains will be shared with households is an open question. For years, pay has lagged productivity growth, diminishing laborers' share of national income.

"If real compensation lags productivity growth, labor's share falls," said Jared Bernstein, who served as chair of President Joe Biden's Council of Economic Advisers. Over the past decade, productivity growth has been double real compensation growth, according to Bernstein's analysis.