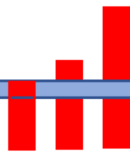

Economics Made Easy

What is productivity?

The Bureau of Labor Statistics (BLS) calculates productivity to help provide information on the status of the economy. **Productivity** measures how efficiently inputs are converted into output. An **input** can include materials, machinery, electricity, business services, and the time people spend working. **Output** is the amount of goods or services made.

For example, to make a car, you need parts, machines, electricity, and workers. These are the inputs. The finished cars are the output. Productivity can increase if more cars are made without increasing the inputs or if the same number of cars are made with fewer inputs.

Glossary

Inputs — any resource used to make goods and services.

Output — the amount of goods or services made.

Productivity — measure of how efficiently inputs are converted into output.

Did you know?

BLS creates productivity measures for the U.S. economy, individual industries, and states.

Increases in productivity could allow companies to produce more output. It can also lead to higher wages for workers, investment into the business to improve their product or service, increased profits, or lower prices for consumers.