



Marlin Steel Wire Products

ENGINEERED SOLUTIONS FAST SINCE 1968

Chicago Tribune

Productivity rises

But firms kept laying off workers in 3rd quarter, latest figures show



Vincent Moore, head of engineering at **Marlin Steel Wire Products**, checks a machine that makes specialty wire forms. Marlin used robots to increase its productivity and won its biggest contract of the year; so far in 2009, it has hired five people. (Baltimore Sun photo by Lloyd Fox / November 5, 2009)

By Hanah Cho

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At **Marlin Steel Wire Products**, a manufacturer of **wire baskets** in Baltimore, orders and productivity are up. In fact, the 29-person firm this week received its biggest contract of the year, which is expected to represent 10 percent of its annual sales.

While his competitors have cut workers, president Drew Greenblatt decided to invest in **new technology** and hire employees to boost his business.

"Our sales are going to be up 40 percent over last year, but our employees are up 20 percent," he said, noting he has hired five workers this year.

Nationwide, labor productivity in the third quarter grew at its fastest pace in six years,

the U.S. Bureau of Labor Statistics reported Thursday. But the increase came at the expense of jobs, hours and wages.

The amount of output per hour worked rose 9.5 percent during the July to September period, the highest since a 9.7 percent increase in the third quarter of 2003, the government said. Productivity is calculated by dividing an index of output by an index of work hours of all people, including employees, business owners and unpaid family workers.

The manufacturing sector, in particular, got a huge productivity boost of 13.6 percent during the quarter.

The figures were good news for companies as they got more out of their workers amid an economic recovery. But unit labor costs fell at a 5.2 percent rate.

The drop in unit labor costs in the third quarter marked the third straight decline as companies continued to lay off workers. In short, workers are doing more with less.

"What's happening is that people who have jobs are working very hard to keep them," said Kathryn Bartol, professor of management and organization at the University of Maryland's Robert H. Smith School of Business. "There are two issues: trying to help their organizations survive and, in the process, preserve their jobs. This means that employees are willing to work harder and look for ways to streamline operations and increase productivity."

Employers have been using different strategies to stay afloat amid the recession, including cutting jobs, hours and pay as well as joining forces with competitors. A few are bucking the trend by trying to grow by hiring new workers and investing in technology and other resources.

This week, Towson-based tool maker Black & Decker announced plans to merge with The Stanley Works in a \$4.5 billion all-stock deal that will reduce the number of local jobs. Although both companies say the economy had nothing to do with the decision to merge, the deal is expected to lower costs by \$350 million over three years.

Economists say huge productivity gains mean companies will continue to hold off hiring as the unemployment rate is expected to exceed 10 percent before a job recovery begins.

"The workweek is now only 33 hours, which is the lowest on record, and I expect the first thing employers will do is they'll add hours to existing workers," said Charles W. McMillion, president and chief economist at MBG Information Services in Washington. "Hiring new people is quite a ways off."

Unemployment increased to 9.8 percent nationally in September, while the jobless rate in Maryland was 7.2 percent. The national unemployment report for October is expected today.

Separately, the U.S. Labor Department said Thursday that the number of workers filing claims for unemployment benefits declined last week by 20,000, to 512,000.

"We still have a lot of people losing jobs," McMillion said.

At the same time, the productivity gain will enable companies to stay in business and be in a better position to hire workers as demand picks up, said Bartol, the management professor.

"Productivity has gone up, which means they're able to register some good results and reasonable profits in a tough economy, so that's a good sign," she said.

Instead of following the cost-cutting trend, Greenblatt took the opposite tack by investing in his business during a downturn, and it appears to be paying off.

During the past 12 months, Greenblatt said, he bought two **new robots** - nicknamed Cal for Orioles player Cal Ripken Jr. and Johnny for Baltimore Colts quarterback Johnny Unitas - that have helped his 29 workers be more efficient and effective.

In one case, one worker used to make one wire mold a day. Now, "Johnny" can produce eight to 10 mold fixtures a day and do so with more precision, Greenblatt said.

"All of our guys are super-men and -ladies and they're able to pump out **more baskets, more precisely** with less problems and less rework because they're aided by fantastic robots," he said.

Greenblatt credits the work force's productivity gains to snagging the firm's biggest order of this year. That means production will increase from two shifts to three, resulting in more overtime for workers and "big Christmas gifts for the employees," he said.

"Our clients want things really fast, and we were in the mode of, we could either just be complacent like our competition or we could aggressively invest back so that we differentiate ourselves and provide exceptional speed," Greenblatt said. "By doing that, it's a no-brainer. The clients have to pick us. They don't have a choice because we're so much faster and our **quality is so much better.**"

The Associated Press contributed to this article.

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