ECONOMICS 101-08   MICROECONOMICS

Comments Part C

A   Productivity is output / input; profitability is revenue - expenses. One way to demonstrate an increase in productivity is to divide some measure of the output in either physical or financial terms of firms employing workers in the occupation you have chosen by the levels of employment over some recent period of time. If the quotients are increasing you can make an argument there has been an increase in productivity. You could also compare rates of change in these variables; a rate of increase in the output variable greater than the rate of increase in the level of employment is consistent with an increase in productivity. Comparing rates of change in profits to rates of change in employment can be used to determine if there has been an increase in profitability possibly attributable to employment changes. (There are other factors which can affect revenues and expenses so the argument is less forceful than the one regarding productivity.)

The effect on employment can be related to the past and/or projected growth in employment as reported by the U. S. Bureau of Labor Statistics in the Occupational Outlook Handbook link on bls.gov.

B   A positive externality is associated with a lower than efficient level of employment–demand for the good/service produced by the occupation you have chosen is less than is socially desirable. An example is higher education which benefits not only the student and recipient of tuition, but society also benefits from a more educated and productive workforce. A negative externality implies a larger than efficient level of employment–demand for the good/service produced by workers in the occupation you have chosen is higher than the socially desirable level. An example is pollution which harms not only those directly exposed and her or his employer through lower productivity, but also society at large which experiences lower environmental quality and bears higher health care costs and possibly lower productivity.