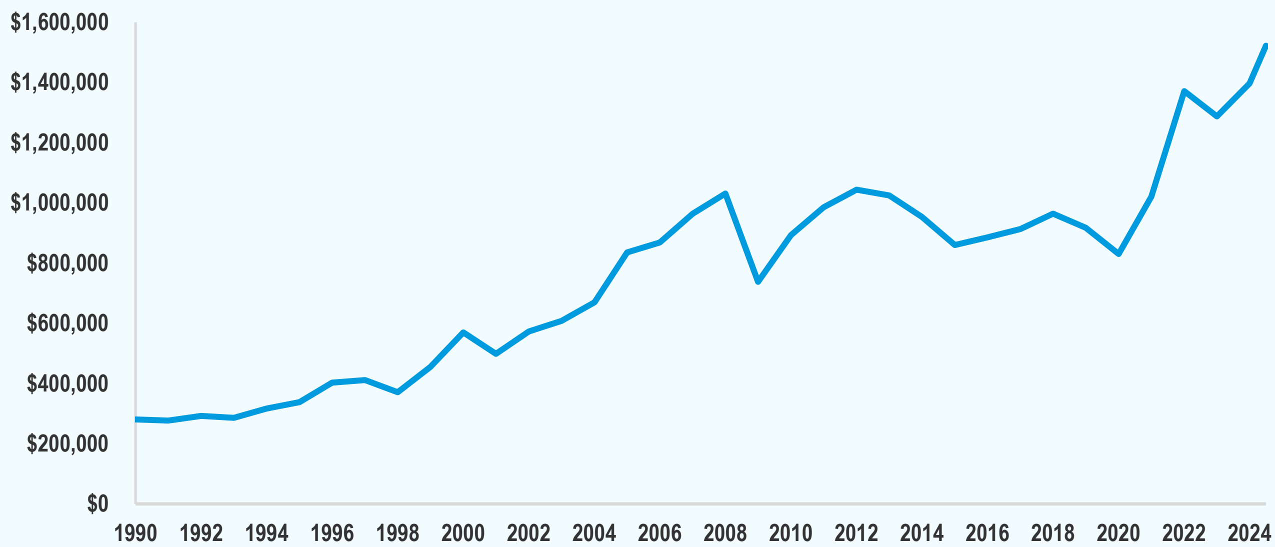
Doing More With Less

In the age of Artificial Intelligence (AI), a new metric may illustrate how effectively companies are incorporating this new technology. Could it also indicate increased profitability and strong shareholder returns?

Weighted Average Revenue per Employee in the S&P 500



Source: Standard & Poor's, FactSet and Alger as of 9/30/25.

- As shown in the chart above, S&P 500 companies have increased their revenue per employee over the past three decades as technology, automation, and data analytics have transformed how work gets done. However, this metric has sharply accelerated since COVID-19, rising 14% annually since the end of 2020 through the first half of 2025 as the pandemic drove increased use of software that enhanced productivity. Since the launch of ChatGPT in November 2022, broader AI implementation and workforce training may be contributing to higher revenue per employee.
- Studies have shown AI has significantly improved productivity among knowledge workers. For example, a Harvard Business School study found AI improved business consultant productivity by 25%, while Microsoft has seen software developers complete tasks 55% faster with AI.[1,2] While some may worry that AI will lead to widespread layoffs, a New York Fed survey in August 2025 found that both service and manufacturing firms are primarily retaining their employees as a result of AI, rather than changing headcount.[3] As AI proliferates, we believe employees can accomplish more within the same timeframe, enabling firms to increase output without significant workforce changes, thereby increasing revenue per employee.
- We believe rising productivity supports both profits and wages, creating a self-reinforcing cycle where innovation drives efficiency, efficiency strengthens earnings, and earnings fund more innovation. In our view, companies that enable or harness these gains could be key beneficiaries in the years ahead as investors favor growth rooted in productivity improvement. In the AI era, revenue per employee may become an important productivity metric for investors, as companies that lead or improve on this measure could potentially deliver stronger profitability and shareholder returns over the long term.

[1] Navigating the Jagged Technological Frontier: Field Experimental Evidence of the Effects of AI on Knowledge Worker Productivity and Quality, September 2023
[2] Microsoft, September 2022
[3] Federal Reserve Bank of New York, Regional Business Surveys, August 2025. Note: Survey firms are service firms in the New York–Northern New Jersey region. Firms using AI exclusively as an information search tool but nothing else were not counted as AI users.

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