FACTORS OF PRODUCTIVITY

MODULE 5

INTRODUCTION

- *Productivity refers to the physical relationship between the quantity produced (output) and the quantity of resources used in the course of production (input).*
- *Productivity is the ratio between output of wealth and input of resources used in production processes.*
- *Productivity means an economic measure of output per unit of input. Output refers to the total production in terms of units or in terms of revenues while input refers to all the factors of production used like capital, labour, equipment, etc.*
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MEANING

- Productivity refers to the physical relationship between the quantity produced (output) and the quantity of resources used in the course of production (input). “It is the ratio between the output of goods and services and the input of resources consumed in the process of production.”
- PRODUCTIVITY(P)=OUTPUT(0)/INPUT(I)
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MEANING

- Output implies total production while input means land, labour, capital, management, etc. Productivity measures the efficiency of the production system. The efficiency with which resources are utilized is called productive efficiency. Higher productivity means producing more from a given amount of inputs or producing a given amount with lesser inputs.
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MEANING

- Productivity means an economic measure of output per unit of input. Output refers to the total production in terms of units or in terms of revenues while input refers to all the factors of production used like capital, labour, equipment, etc. Productivity is a good indicator of the efficiency with which a factory is operating. If a firm has higher productivity, i.e. it produces more with a given amount of inputs, it means it is utilising the resources properly.
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FACTORS

- Productivity is the outcome of several factors. These factors are so interrelated that it is difficult to identify the effect of any one factor on productivity.
- **These factors may broadly be divided as follows:**
- Human nature and human behaviour are the most significant determinants of productivity.
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OTHER FACTORS

- (b) Willingness to work – Motivation and morale of people is the second important group of human factors that determine productivity. Wage incentive schemes, labour participation in management, communication system, informal group relations, promotion policy, union management relations, quality of leadership, etc., are the main factors governing employees' willingness to work. Working conditions like working hours, sanitation, ventilation, schools, clubs, libraries, subsidized canteen, company transport, etc., also influence the motivation and morale of employees.
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FACTORS

- **2. Technological:**
- **The main technological factors are as follows:**
- (a) Size and capacity of plant
- (b) Product design and standardization
- (c) Timely supply of materials and fuel
- (d) Rationalization and automation measures
- (e) Repairs and maintenance
- (f) Production planning and control
- (g) Plant layout and location
- (h) Materials handling system
- (i) Inspection and quality control
- (j) Machinery and equipment used
- (k) Research and development

FACTORS

- **4. Natural:**
- Natural factors such as physical, geological, geographical and climatic conditions exert considerable influence on productivity, particularly in extractive industries. For example, productivity of labour in extreme climates (too cold or too hot) tends to be comparatively low. Natural resources like water, fuel and minerals influence productivity.
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FACTORS

- **5. Sociological:**
- Social customs, traditions and institutions influence attitudes towards work and job. For instance, bias on the basis of caste, religion, etc., inhibited the growth of modern industry in some countries. The joint family system affected incentive to work hard in India. Close ties with land and native place hampered stability and discipline among industrial labour.
- **6. Political:**
- Law and order, stability of Government, harmony between States, etc. are essential for high productivity in industries. Taxation policies of the Government influence willingness to work, capital formation, modernization and expansion of plants, etc. Industrial policy affects the size, and capacity of plants. Tariff policies influence competition. Elimination of sick and inefficient units helps to improve productivity.
- **7. Economic:**
- Size of the market, banking and credit facilities, transport and communication systems, etc. are important factors influencing productivity.
- Productivity is an economics term which refers to the ratio of product to what is required to produce the product. Productivity is outcome of several interrelated factors. All the factors which are related to input and output components of a production process are likely to affect productivity.
- So, there are many factors which can influence productivity; such as internal and external. Knowing the internal and external factors that affect productivity of an Industrial organization; give industrial forms.