

LABOR PRODUCTIVITY (SAGACITY IN PRODUCTION & CONSUMPTION)

Zahra Ehsanbakhsh Mostahsan¹ - Seyedeh Somaiye Mirzaee²

¹⁻²M.A Student of International Business Management, Islamic Azad University of Guilan-Rasht

Abstract

The fact of our society is that if people have good feeling about a special work, they will definitely succeed in it. Organizations are also not exempted from this. Because if organizations have higher self confidence, they will get more energy for working and the chance of their success will be greater. Employees are the worthy assets of each organization. Achieving the objectives of any organization depends on intelligent management of these worthy resources. In this article, definitions, significance of productivity and also affective factors in enhancement of required condition for improvement of labor productivity and affective factors in decrease of labor productivity are briefly expressed.

Keywords: Productivity, Manpower, Human Resource, Increase of Productivity, Productivity Improvement

1. Introduction

Participation of employees in conscious affairs and efforts along with work discipline can have an impact on productivity and change for productivity improvement especially in a turbulent environment associated with insecurities. Spirit of productivity improvement should be blown in body of organization which will form the core of manpower. [1] There are no manufacturing processes that do not require human work, so no production will be performed without its participation. However, participation of human factor in historical development of societies faces the qualitative and quantitative changes of manpower in production. The role of manpower has reached from physical work to the most advanced level (the human thinks more and the machine works). Industrial development is performed based on two important capital resources such as physical and human capital. [2] What has been considered most in recent years in developed country is human capital; the studies have indicated that the cause of backwardness of undeveloped countries is basically the impact of low productivity. Therefore, high growth of productivity especially labor productivity will affect all the economical and social activities. Labor productivity improvement in industry will impact on production capacity, quality of produced commodities, reduction of costs, reduction of prices and investigation of investment. [4] Undoubtedly, the economic growth and development of various societies is due to the rate of productivity growth. Efforts for increase of rate of productivity are the efforts for living and better welfare of people and society. In today's competitive world, those countries will win that could create productive knowledge, insight and behavior in their managers and employees. [2]

2. Definition of Productivity & Labor Productivity

Productivity is defined as maximizing the use of resources, manpower and arrangements in scientific ways in order to decrease the costs, satisfaction of employees, managers and consumers. [3] In the other word, labor productivity is defined as maximum appropriate apply of manpower in order to move towards the goals of organization with minimum time and minimum cost. Based on the viewpoint of National Iranian Productivity Organization, productivity is the rational approach to the life and work.[8] It was like a culture that aims to change the activities and make them smarter for a better life and work.[5] Productivity means obtaining maximum possible profit of labor, power, talent and skill of manpower, land, money, equipment, time, location and etc to enhance the welfare of society and its enhancement as a necessities is always considered by the experts of policy, management and economic to improve the life of people and building the community.[9]

Rate of real output (working hour) performed by employee of organization is called labor productivity. If for calculating labor productivity, value added divided into number of employee, in this case the index shows that to what extend each of employee averagely created what number of value added.[5]

The high index can indicate the presence of negative factors such as low motivation of workforce, waste of resources and other items. [2]

The Old Approach about Productivity: Emphasis on resource management (within the organization)

The New Approach about Productivity: New ideas, creating new products, having various customers, considering the market and competitors, use of the actual and potential ability of the organization to deal with the threats and opportunities that create an intelligent organization, flexible and aware of the environment. [5]

3. Types of Productivity

Any organization or enterprise can have productivity in different ways in its complexes that some of them are: [3]

- Physical Productivity
- Value Productivity
- Partial Productivity
- Total Factor Productivity
- Total Productivity
- Labor Productivity
- Machine Productivity
- Capital Productivity
- Information Productivity
- Time Productivity

Note: the above mentioned are just some of the types of productivity.

Physical productivity encompasses quantitative measurement of productivity through quantities such as size, length, number of units, pieces, weight, time, number of people.[9]

Value of productivity is measurement of productivity with values that are expressed as the amount of money. [6]

Partial productivity is the ratio of output to one of the institutions. Such as labor productivity, capital and material productivity [8]

Total Factor Productivity is ratio of net outputs to the sum of labor and capital institutions. Net output means the total output minus the purchased intermediary commodities and services (value added) [5]

Total productivity is the ratio of total output to the sum of total factor of institutions. Therefore, value of total productivity expresses the common impact of all the institutions in production of output.

Labor productivity is the rate of real output (working hours) performed by employees of organization. [8]

Machine, capital, information and time productivity encompasses evaluation of productivity by machine, capital, information and time [3]

4. Significance of Labor Productivity

Employees are the worthy assets of any organization. Achieving the objectives of any organization depends on the intelligent management of these worthy sources. Workforce is the important and effective factor of productivity. If these forces have full confidence and strong motivation, they will reach the productivity to its highest level. Generally, the most important factor that is effective in labor productivity is motivation in performing the works. [1]

Looking at the process of human civilization, it will be clear that the role of labor force from the simple workforce (strong arm and mechanical work) has evolved to human capital (knowledge and skills), which is the most important factor of production.[6] Because if people fail to use the appropriate and advanced tools, equipment and technology, practically technological advances will not be required.[8] It has an indisputable fact that the injection of large quantities of physical and financial capital to the Third World Countries necessarily does not lead to accelerating the process of their development.[9] Merely states that have an efficient organization and experts can absorb the physical and financial capital properly and apply them to accelerate the process of development. [3]

There are no manufacturing processes that do not require human work, so no production will be performed without its participation.[9] However, participation of human factor in historical development of societies faces the qualitative and quantitative changes of manpower in production. The role of manpower has reached from physical work to the most advanced level (the human thinks more and the machine works).[9] Industrial development is performed based on two important capital resources such as physical and human capital. What has been considered most in recent years in developed country is human capital; Human resources have two major roles in production and economical growth. [6]

- 1) Job role as a primary factor of production
- 2) Man's role as a factor beyond the work and other factors of production

Currently working is not considered as a quantitative agent in development and production as before and considering the quality and efficiency of labor and productivity improvement due to its impacts and the benefits are even greater.[6] As we saw during the reconstruction of Japan after the Second World War, the country was mainly rely on wide human capital rather than imported capital from outside or material resources of the country.

Today, the role and importance of manpower in manufacturing processes and presenting services in the world has been identified as the most important factor. There is no doubt that the human factor is the most important part of community development.[3] Looking at the process of human civilization, it will be clear that the role of labor force from the simple workforce (strong arm and mechanical work) has evolved to human capital (knowledge and skills), which is the most important factor of production.[2] Because if people fail to use the appropriate and advanced tools, equipment and technology, practically technological advances will not be required.[10]

It has an indisputable fact that the injection of large quantities of physical and financial capital to the Third World Countries necessarily dose not lead to accelerating the process of their development. Merely states that have an efficient organization and experts can absorb the physical and financial capital properly and apply them to accelerate the process of development. [4]

Economic sectors, at the forefront of their activities, pay more attention to quality and efficiency of their labor because of its impact and benefits and given that the main goal is finding the ways to improve the productivity, the first stage of investment should be investigating in manpower. [1]

Investment in human resources and improving the quality of labor is one of the main ways of increasing productivity and accelerating the economic growth of society.

5. The Most Important Factors in Reducing Labor Productivity

The main and most important factor in reducing the productivity of human resources is unbalanced income and expenses, because, the income and expenses are the most important motivational factors for human resources. After these two major factors, the most important factor in reducing productivity within an organization is as follows:

- Discrimination between employees (due to mismanagement)
- Job insecurity
- Failure and unwillingness for medium-term and long term planning (due to mismanagement) [9]
- Lack of suitable working environment
- Lack of attention to the urgent needs of employees[3]
- Lack of control (instability in control programs)
- Mismatch of education and career
- Not using the expertise in the related business (mismanagement)

- The manager has no plan[8]
- Lack of training (mismanagement)
- Mismatch of individual talents and job (mismanagement)
- Incompetency of the head of staffs[3]
- Apathy to the current job and Consecutive transfer of manpower
- Inflation of manpower

Almost all of the factors of reducing the productivity of human resources are due to mismanagement. Meanwhile, the individual's association with the organization should be a two-way and mutual one.[7] A successful management is the one who knows the cultural environment of his organization, because it is a very effective factor in the kind of behavior of the employees. He should understand that environment and apply this understanding for executing the organization's plans. Salaries and benefits should be determined based on the nature of the job, expertise, experiences and performance against specific programs and changes.[4] If the individual performance was not carefully evaluated, and their rate would not match their qualifications, or in the other word, more qualified individuals would not have the higher rates in an organization, gradually, a less work culture will arise in this organization. [2]

In Iran, Low wages in comparison with the cost of living index in recent years, leads to less working and trying for founding a second and third jobs. This tendency ultimately leads to more tiredness of workforce, decline in labor productivity and the incidence of mental health problems for their families. And consequently, this has a negative effect on the productivity of the workforces.[10] We cannot have any hope to enhance the productivity of the organizations, if we fail to provide practical welfare for workforces living, meritocratic system of justice based on a comprehensive system of performance assessment in the organizations. [7]

6. The Most Important Factors in Increasing Labor Productivity

6.1. Motivational Factors:

- Acceptance of the fairness of salary and benefits
- Payment in accordance with qualifications and experience
- Providing accommodations for employees[4]
- Appreciation of employees works when their fellows are gathered
- Providing information for the members and informing employees[7]
- Satisfaction of staffs from being members of the organization
- Opportunities for career development[4]
- The measure of reliance of the employees on the organization in their personal life
- The organization pays attention to the personnel's family
- Applying the job rotation or career development techniques[7]
- Participation of members in decision-making

6.2. Leadership Style:

- Determining the exact duties and responsibilities
- Emphasis on instructions

- Showing much attention to work[4]
- Issuing instructions for staff with the necessary justification[7]
- Involving employees in decision making
- Performing the work by employees and according to their own discretion

6.3. Creativity and Innovation:

- The number of ideas and new solutions
- The number of offers[4]
- Welcoming of new ideas and supporting the idea makers
- Not resistance against creative movements[7]
- Determining specific funding for innovation
- Having Entrepreneurial spirit and applying Entrepreneurial managers
- Level of institutional creativity in organizations[4]
- Benchmarking of creativity and innovation of other organizations
- The rate of creativity and innovation in product offerings
- Creativity and Innovation in Process[7]
- Creativity in marketing, advertising and sales
- Holding education courses for Creativity

6.4. Practical and General Education:

- Holding research courses and seminars
- Comply of job with the knowledge and education[4]
- The rate of study of general and specialized job related books and texts
- Ability to use computer and Internet technologies

6.5. Spirit of Competitiveness:

- Resistance to Change[7]
- Communication with the outside and inside
- Effort for job improvement
- Staff's sensitivity for changes in the industry
- Assessment the competitor's performance[4]
- Having flexibility in order to win the competition
- Efforts to improve performance
- Enjoying the fight and attempt to prove the superiority[7]

6.6. Demographic Characteristics:

- Marital Status
- Age
- Job experience
 - Below 2 years
 - 2 to 5 years
 - 5 to 10 years
 - Up to 10 years
- Physical and mental health

- Employees should have good physical and mental health.

7. Conclusion

Today, productivity is a realistic approach for life. It is a culture in which human applies his thought and intelligence, to comply his efforts with the values and facts, to make the best out of the material and spiritual goals.

Productivity = effectiveness + efficiency

Labor Productivity = motivation + qualification

Thus, this can be calculated that the labor productivity can be a function of 3 important categories:

- ❖ Management strategies and actions: Providing information, delegating, giving autonomy and participative management
- ❖ Perceived efficacy of staffs: Modeling, verbal and social support, emotional arousal
- ❖ The organizational conditions and factors: Reward system, having clear goals, employees have access to the organizational resources and structure

References

- [1] Bloom,N and Reenen,JV.(2010). "HUMAN RESOURCE MANAGEMENT AND PRODUCTIVITY," NATIONAL BUREAU OF ECONOMIC RESEARCH. Cambridge, pp. 3-5, May.
- [2] Valadkhani,A.(2006)."Labour Productivity in Iran," Economics Working Paper Series. Wollongong.
- [3] Valadkhani,A.(2005). "Sources of Iranian Labour Productivity," Review of Middle East Economics and Finance. Wollongong, 2005.
- [4] WDI, I.(2008).Business Management. Translate by Akbari. Danesh publication. Isfahan .
- [5] Shelly, K. & Schwartz, BA.(2011). "10 HR Issues that kill productivity," Physicians Practice. May.
- [6] Allah Verdi,M.& Farah AbadiM.E& Sadat Sajadi,H.(2000). "Prioritizing human factors on productivity of middle managers' views", Journal of Hospital,No,21.

- [7] Economy and Finance News(2001). Week Analytical Newsletter, Ministry of Economic Affairs and Finance, Year 10, No. 361, Mehr.
- [8] Ostad Zadeh,M.(1998). “Factors that increase or decrease in labor productivity”. samt publication. Tehran.
- [9] Asiya Chi,M.(1999). “Types and levels of productivity” Tadbir publication. Tehran.
- [10] Reported productivity performance of the economy(1997). Iran National Productivity Centre.No:18.p:10-15.