

SOS POLITICAL SCIENCE AND PUBLIC ADMINISTRATION,

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UNIT-V

TOPIC NAME: PRODUCTIVITY –ADVANTAGES / BENEFITS OF

HIGHER PRODUCTIVITY

Attainment of higher productivity is one of the main aims of any business enterprise. Higher productivity ensures lesser cost of production, higher production and most effective utilization of available resources. The concept of productivity is gaining immense popularity among producers, employees, and consumers. It is being applied with utmost success in Government, private and every other type of undertakings.

Advantages / Importance / Benefits of **Higher Productivity...**

1. Higher Profitability.
2. Employees Welfare.
3. Higher return to Shareholders.
4. Better Relations.
5. Customer Satisfaction.
6. Higher Credit Rating.
7. Corporate Image.
8. Better terms from Suppliers.
9. Less Employee turnover and Absenteeism.

As has already been pointed out that increased productivity ensures higher profits which can be further utilized for installing latest technology and know-how effecting further improvements in the enterprise. Increased productivity is a potent instrument in ensuring greater social and economic development of an economy.

This leads to the satisfaction of every section of **society** viz., **consumers, workers and employers**. Most of the developed nations of the world owe their present status to increased productivity. It has been rightly pointed out by **Melman Seymour**, “That about half of the total economic growth of the private economy of the United States must be attributed to productivity increase.”

Not only in the case of developed but also in case of developing and underdeveloped countries, is productivity [playing a vital role. As a matter of fact, it has a special role to play in these economies. It has been realized that in our country economic problems cannot be solved without adopting productivity techniques.

The nine main benefits of higher productivity are:

1. Higher profit,
2. Employees welfare,
3. Better return
4. Nice relations,
5. Customer satisfaction,
6. Good credit rating,
7. Goodwill,
8. Better credit terms, and
9. Low turnover.

Now let's discuss briefly these important benefits of higher productivity.

1. **HIGHER PROFIT:** Higher productivity enables the company to produce more output. This results in more profit to it. This profit can be used for expansion and other activities.
2. **EMPLOYEE'S WELFARE:** Higher productivity brings more profit to the company. This profit can be used to provide better facilities and working conditions to the employees. So, it results in welfare of the employees.
3. **BETTER RETURN:** The Company gets better return on investment due to higher productivity. So, they pay a better dividend (share of profit) to the shareholders. The market price of the share will also increase.
4. **NICE RELATIONS:** Higher productivity results in nice relations between the management and the employees. Good working conditions, facilities and incentives motivate employees to give their best to the organization.
5. **CUSTOMER SATISFACTION:** Higher productivity results in better customer satisfaction. This is because customers are provided with good-quality products at low prices. Satisfaction of customers will result in their loyalty towards the company.

6. **GOOD CREDIT RATING:** Higher productivity results in a good credit rating by financial institutions. This will enable the company to get cheap funds from the market to meet working and fixed capital requirements.
7. **GOODWILL:** Due to higher productivity, the company will have a good corporate image (goodwill) in the minds of social entities. This includes: The shareholders, government, suppliers, financial institutions, customers, etc.
8. **BETTER CREDIT TERMS:** Higher productivity helps the company to get better terms from the suppliers. The suppliers may give better credit terms due to its goodwill.
9. **LOW TURNOVER:** Higher productivity enables the company to provide better facilities and working conditions to the employees. This will make the employees loyal. Hence, employee turnover and absenteeism will reduce.

TOP 3 ADVANTAGES OF HIGHER PRODUCTIVITY

Higher productivity provides several benefits to management, employee as well as to customer and other stakeholder related to a firm. At the macroeconomic level, productivity improves a country's living standards because more goods and services are produced at better prices, inflation and interest rates tend to be stable, and gross domestic product (GDP) tends to be high and at the microeconomic level, high productivity can increase people's real income and improve their ability to purchase goods and services, enjoy leisure activities, access better housing and education, and contribute to social and environmental programs.

At a firm or industry level, the benefits of productivity growth can be distributed in a number of different ways:

- i. To the workforce through better wages and conditions.
- ii. To shareholders and superannuation funds through increased profits and dividend distributions.
- iii. To customers through lower prices.
- iv. To the environment through more stringent environmental protection.

v. To governments through increases in tax payments (which can be used to fund social and environmental programs).

vi. GDP can be determined in three ways, all of which should, in principle, give the same result. They are the product (or output) approach, the income approach, and the expenditure approach.

Advantage 1. Management:

Highly productive companies can better meet their obligations to suppliers, workers, shareholders, and governments (payment of taxes and compliance with regulations), while maintaining competitiveness or improving their competitiveness in the marketplace. When the productivity of a company improves, the business will gain many benefits.

These can include:

i. Increase in income/profitability.

ii. Lowering running costs/operational costs.

- iii. Maximizing the use of all of the company's resources such as land, equipment's/machineries, factory, workers, and etc.
- iv. Gaining a greater share of the market.
- v. More cash flows mean more opportunity for the company to expand and grow.
- vi. To clear the debt or loans acquired from different sources.
- vii. To stand better in the market.
- viii. Contributes to the competitive advantages of firm.

Advantage 2. Customers:

Most of the highly productive companies all over the world have used it to gain the loyalty of consumers and meet their needs. Satisfaction of customers will result in their loyalty towards the company.

Higher productivity provides customers the following benefits:

- i. Productivity helpful in reduced price of the article.
- ii. Higher productivity results in better customer satisfaction.
- iii. Customers are provided with good quality products at low prices.

Advantage 3. Employee/Workers:

When a firm is highly productive it becomes successful eventually, and because of this, incentives are bound to be made available to the employees. These include pay raises, bonuses, and medical insurance and so on. This will also motivate employees and gives them more job opportunities as the company grows. The employee gets many benefits.

These can include:

- i. Company can pay higher salary and wages.
- ii. Better Working Conditions.

iii. Higher standard of living.

iv. Job Security and Satisfaction.

So, Productivity in the workplace is an important aspect of every company and when top Management understands this concept, success is just around the corner.

Some Other Advantages/benefits OF increased/Higher Level productivity:

Following Advantages/benefits can be derived from increased/Higher Level productivity:

1. It ensures effective utilisation of available resources thereby increasing total volume of production and decreasing cost of production.
2. It reduces the price of goods to be sold and better quality products are provided to consumers.
5. It ensures increased wages to workers thereby raising their living standards.
4. It leads to lesser overhead costs.
5. It leads to higher profits to entrepreneur which can be re-invested in meeting future financial needs of the concern.

6. It is considerably helpful in increasing exports.
7. It leads to higher per capita income.
8. It is greatly helpful in achieving overall prosperity and growth of an economy.
9. Better wages and working conditions for employees.
10. Increased profitability as high productivity leads reduces cost of production.
11. Reduce wastage of precious resources.
12. More retained earnings as a result of increase in profits which leads to shareholders' wealth maximization.
13. Improved quality goods at nominal prices are available to customers.
14. Greater chances of growth rate for the company.