

SOS POLITICAL SCIENCE AND PUBLIC ADMINISTRATION,

JIWAJI UNIVERSITY, GWALIOR

MBA HRD II SEM

PAPER - HRD 202

SUBJECT NAME: WAGES & SALARY ADMINISTRATION

UNIT-V

**TOPIC NAME: IMPORTANT CHALLENGES OR DIFFICULTIES OR
CONSTRAINTS IN MEASURING PRODUCTIVITY – PRODUCTIVITY**

Productivity – Constraints in Measuring Productivity

Productivity is a measure of the efficiency of production. The measure of productivity is defined as a total output per one unit of total input. High productivity can lead to greater profits for businesses and greater income for individuals but there are some constraints are faced by an industrial manager in measuring productivity.

Constraints in measuring productivity are discussed below:

1. Changing Price of Inputs and Outputs:

There is a continuous change in the price of inputs and outputs, quality of raw-materials, machines and tools, quality of labor, etc. All this creates difficulties in measuring productivity.

2. Intangible Output of Service Sector:

It is very difficult to measure the productivity of service sectors e.g. banking, insurance, education, etc. This is because the output of the service sector is intangible.

3. Difficulty in Measuring Output:

The output of an industry may be measured in terms of volume (units) or value (Rupee). It is very difficult to combine both these factors. If the output is homogeneous, then the productivity can be measured in terms of volume. If the output is not homogeneous, then the productivity can be measured in terms of rupee.

4. Difficulty in Measuring Inputs:

Most industries do not have proper records of the inputs of land, labor, capital and machines. Even if such records are available, it is very difficult to calculate the exact number of man hours worked i.e. the input of labor.

5. Factorial Productivity:

Factorial productivity means to calculate the productivity of different factors of production separately. Some management experts say that a single factor of production cannot produce anything by itself. Therefore, it has no productivity. Therefore, according to these management experts, the concept of factorial productivity is meaningless.

6. Difficulty in Measuring Man-Hours:

It is difficult to find out the exact number of productive man-hours. This is because wages paid to the employees also includes the cost of idle time.

IMPORTANT CHALLENGES OR DIFFICULTIES IN MEASURING

PRODUCTIVITY:

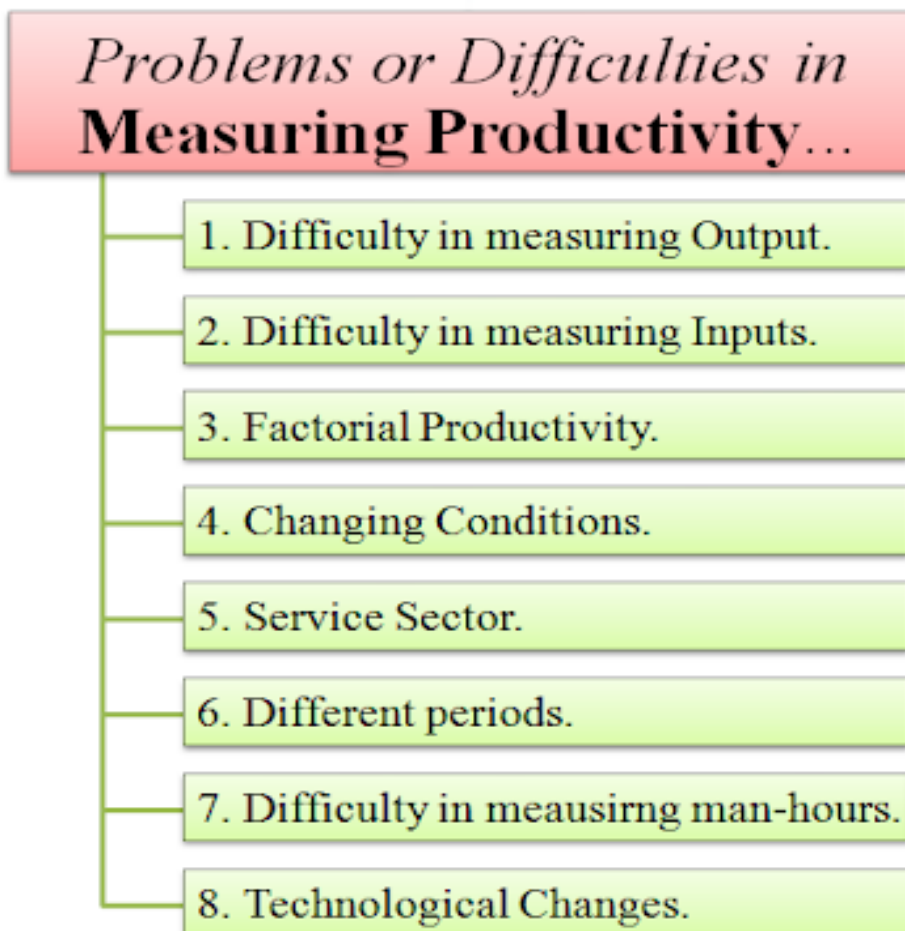
1. Difficulty in measuring output,
2. Difficulty in measuring inputs,
3. Factorial productivity,
4. Changing prices of inputs and outputs,
5. Intangible output of service sector,
6. Comparison of productivity of different periods,
7. Difficulty in measuring man-hours, and
8. Changes in technology.

Now let's discuss these constraints in measuring productivity.

1. **Difficulty in measuring output** : The output of an industry may be measured in terms of volume (units) or value (dollars). It is very difficult to combine both these factors.
 - a. If the output is homogeneous (similar), then the productivity can be measured in terms of volume.
 - b. If the output is not homogeneous, then the productivity can be measured in terms of value.

c. However, if some units are homogeneous and other non-homogeneous, then the industry will face difficulties in measuring productivity.

Similarly, it is very difficult to find out whether the by-products and work-in-progress should be included in output or not. If it is included, then it is very hard to find its value.



2. Difficulty in measuring inputs : Most industries do not have proper records of the inputs of land, labor, capital and machines. Even if such records are available, it is very difficult to calculate the exact number of man hours worked i.e. the input of labor.

3. Factorial productivity :

- Factorial Productivity means to calculate the productivity of different factors of production separately.
- Some management experts say that a single factor of production cannot produce anything by itself. Therefore, it has no productivity. A single factor of production has productivity only if it is combined with other factors of production.
- Therefore, according to these management experts, the concept of factorial productivity is meaningless.

4. Changing conditions : There is a continuous change in the price of inputs and outputs, quality of raw-materials, machines and tools, quality of labor, etc. All this creates difficulties in measuring productivity.

5. Service sector : It is very difficult to measure the productivity of service sectors like Banking, Insurance, Education, etc. This is because the output of the service sector is intangible.

6. **Different periods** : It is very difficult to compare the productivity of two different periods. For example, comparison of productivity during a war period with a peace period is meaningless.
7. **Difficulty in measuring man-hours** : It is difficult to find out the exact number of productive man-hours. This is because wages paid to the employees also includes the cost of idle time.
8. **Technological change** : Changes in technology will cause a change in the nature and quality of output. Therefore, measurement of productivity will become difficult.