Labour Productivity: Concept and Tendencies

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Abstract

This paper addresses the important topic of increasing labour productivity. The expansion of this indicator has a multitude of economic and social implications, also affecting the average consumer. Following the presentation of some theoretical elements related to labour productivity, we make some comparative references and we recall the necessary correlation with salaries. Then we refer to the labour productivity determined by the National Institute of Statistics (INSSE) for the period 2011-2014, both when it comes to labour productivity per employed person, as well as to hourly labour. Obviously, the indicators in question are considerably below the European average. But for a relative mitigation of the gaps, we indicate some ideas in the Conclusions and Recommendations section of our paper.

Key words: Labour power, wages, production costs, quantity of products, scientific progress, INSSE.
J.E.L. classification: E24

1. Some theoretical elements on labour productivity

The wealth of a state, according to economic science, is measured by the social productivity of labour – which is based on its specific character – productivity expressed in gross domestic product per capita.

A significant synthetic indicator of the efficiency of the ecomonic activity of the companies, labour productivity "reflects the efficiency or fruitfulness of the work spent in the process of production" (Toropu, 2013).

The increase in labour productivity, which implies the achievement of a larger quantity of products in the same time unit, is influenced by managerial factors, the level of the technical equipment, the qualification/training of the personnel, the working conditions/climate, the level of rewards, etc. (Cojocaru *et al*., 2004; Cojocea, 2004; Burciu, 2008; Bostan, 1999). We recall here that the specialty literature (Atkinson, 1982) refers more extensively to the factors of influence of labour productivity, from the natural, technical, economic to the psychological ones.

In the context of the desire to increase the performance of production expenditure, it must be noted that the efficiency of the use of the production factors prevails and not the production volume, which – based on the escalation of the qualitative factors – may increase, maintaining the level of the resources.

The scientific and technical progress (Cojocea, 2004) is the one that generates "a revolution of technical capital, material, energetic and human resources ..., replacing the old equipment with modern one, changing the structure of the labour force and, despite all this, savings in labour are obtained".

At the same time, starting more than three decades ago, aiming to ensure the conditions for increasing the efficiency of labour, it has been argued that "science potentates the labour more and more" (Drăgănescu, 1983).

2. The correlation with the wages

What needs to be permanently kept in mind for the "health" of the economy is that the distribution of income (salary, profit, interest, rent) can only take place in direct connection with the increase/appreciation in productivity (Garello & Naudet, 1991).

Lately, it has been stated more and more that "the increase in wages must not exceed the productivity of labour, and in these conditions – specific to the Romanian economy (our note) – the salaries cannot be raised by more than 9-10% (per year). There may be deviations from this margin, for example, increases of 5% in certain branches, while salaries in other segments may increase by 15%, but per total, the increase in revenues cannot exceed 10% (Lazea, 2009).

Two years ago, the productivity of Romanian employees reached about 2/3 of the average registered in the European Union, compared to 2004, when it was about 1/3 of the same average. However, "we need 10, 15 or maybe even 20 years to reach the average of the other EU states" (Sorin Faur, apt Demetriad, 2016).

Currently, the share of wage earnings in GDP remains very small in Romania (35%), the only time it has reached 40% of GDP was in 2008, before the crisis. The average in the EU is approx. 47% and remained constant at this level for more than a decade (Georgescu, 2016). At the same time, according to the same source, in Romania "the share of the Romanian companies' profits was increasing ... The operational profit of the companies reached in 2014 not less than 57% of GDP, 17% above the European average and twice as much as the wage average".

Starting in 2013, "seven successive increases of the minimum wage have taken place, the measures being correlated with those regarding the tax cuts and economic recovery. The share in average wage increased between 2013 and 2016, at a high growth rate compared to that of the economies in the region" (Socol & Marinas, 2016).

Suggestive comparisons of the dynamics of the minimum wage with those of labour productivity at national level (determined as a ratio between the gross added value and the employed population) and of the consumer price index are shown in Figure no. 1.

Figure no. 1. Lack of correlation between minimum wage and labour productivity (2008-2016)

Source: http://library.fes.de/pdf-files/bueros/bukarest/13271.pdf
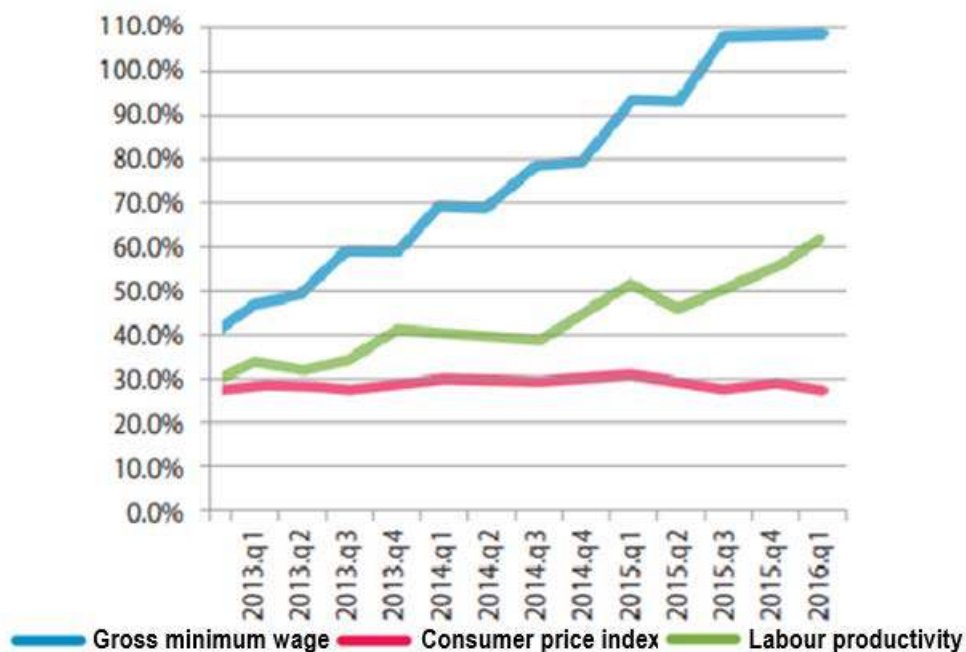
Below is the graphical representation (Figure no. 2) of the correlation of wages with the labour productivity as it applies specifically to the industry (2006-2016).

Figure no. 2. The correlation of the wages with the labour productivity in industry (2006-2016)

Source: BCR (2017), http://www.raducraciun.ro/usor-cu-dublarea-salariilor-pe-scari-2/
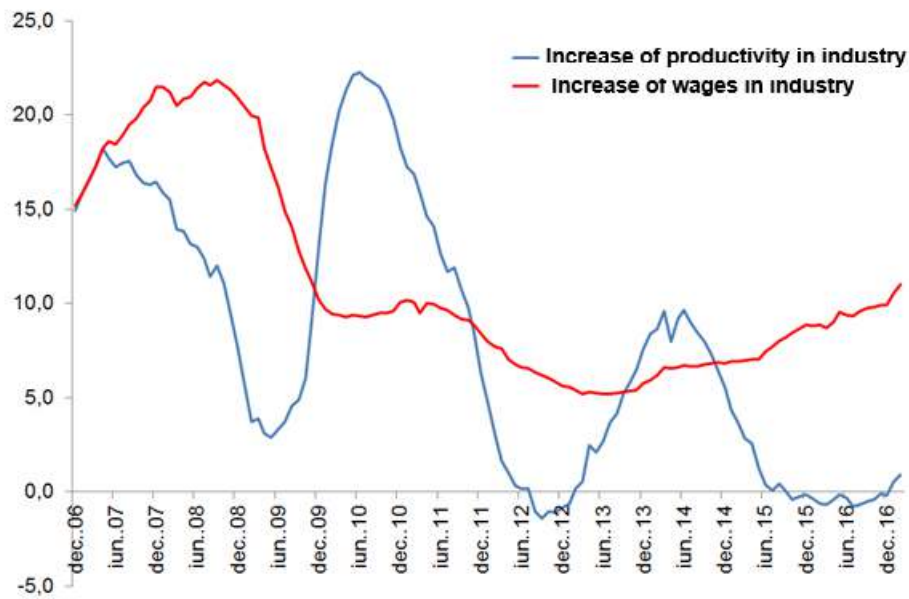
3. The labour productivity determined by the National Institute of Statistics (INSSE)

The Romanian Statistical Yearbook (INSSE, 2016) devotes a considerable amount of space to this indicator.

Here it is mentioned that the labour productivity per employed person was calculated as the ratio between the gross value added and the number of occupied persons and the productivity per hour worked was calculated as the ratio between the gross value added and the number of worked hours.

But here is how the productivity of labour, per occupied person is presented (Table no. 1).

Table no. 1. Labour productivity, by employed person (2011-2014) (lei / person)

Activity (CANE Rev.2 divisions)	2011	2012	2013	2014
Total	**54593,8**	**60413,9**	**65512,6**	**68469,5**
Agriculture, forestry and fishing	13351,6	10488,7	13275,8	12485,6
Mining and quarrying; manufacturing; electricity, gas, steam and air conditioning production and supply; water supply; sewerage, waste management and decontamination activities	82034,4	84330,8	90722,3	91996,8
Construction	66361,1	70201,1	71705,0	65604,6
Wholesale and retail; repair of motor vehicles and motorcycles; transport and storage; hotels and restaurants	36865,1	61768,6	55963,5	58466,8
Information and communication	187508,7	163370,7	219900,8	219595,7
Financial intermediation and insurance	162586,3	144516,5	218092,9	217771,5
Real estate activities	1184408,9	1921346,8	2003027,7	1822359,1
Professional, scientific and technical activities; administrative and support service activities	97647,8	97802,3	122125,5	117837,2
Public administration and defence; compulsory social security; education; human health and social work activities	50054,7	54611,6	59369,0	73841,5
Arts, entertainment and recreation; repair of household goods and other services	63578,9	81944,1	73760,4	80689,4

Source:
http://www.insse.ro/cms/sites/default/files/field/publicatii/anuar_statistic_al_romaniei_2016_format_carte.pdf

The labour productivity per worked hour is presented in Table no 2.

Table no 2. Labour productivity per hour worked (2011-2014) (lei / hour)

Activity (CANE Rev.2 divisions)	2011	2012	2013	2014
Total	**54593,8**	**60413,9**	**65512,6**	**68469,5**
Agriculture, forestry and fishing	13351,6	10488,7	13275,8	12485,6
Mining and quarrying; manufacturing; electricity, gas, steam and air conditioning production and supply; water supply; sewerage, waste management and decontamination activities	82034,4	84330,8	90722,3	91996,8
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Obviously, as we mentioned above, the indicators in question are consistently below the European average. But for a relative mitigation of the gaps, we present some ideas in the next section of our paper.

4. Conclusions and recommendations

The increase of the productivity of labour has a multitude of economic and social implications, reaching up to the level of the average consumer. Starting from what Albertini has written (1998), we understand that productivity is first of all, by aiming to create goods and delivering services / products that are as useful, diverse/various and qualitative as possible, an efficient compilation of production factors. Obviously, it is about the classical factors – labour, capital and natural resources.

The improvements in the analyzed subject assume that it is taken into consideration that the managerial element is essential in the context of increasing the productivity of labour. This is designed to lead to a better/intensive use of the production capacities, working time, by rationalizing the management and organization of the economic activity.

Furthermore, on the other hand, by qualification, the workforce becomes more productive, the skills and knowledge of the worker allowing for a more rational use of working time and more efficient use of the production lines, leading to the achievement of a finite product/service of superior quality.

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