
Continuing the Discussions on Productivity

Since the establishment of the National Competitiveness and Productivity Council (NCPC), there has been widespread discussions on productivity including the challenges that confront us in the current economic environment.

As part of its ongoing productivity assessment, the Council has embarked on a number of consultations at the sector and community levels in an effort to widen the discussions on productivity. The objectives of those consultations are to bring about a general understanding of productivity as well as to solicit feedback from business establishments and the community at large on the factors that they perceive as affecting productivity in their sectors and at the national level.

Based on the ongoing discussions thus far, it is important to discuss the following:

- productivity and production
- productivity and efficiency
- productivity and customer service

Production and Productivity

Production is defined as “the process of using resources/inputs to add value to a product or service, so as to meet the needs of the customer” (Business Studies Online). In the production process, input/resources include land, labour, capital (money) and enterprise. During the

production process, value added is applied to raw materials resulting in a good or service or the output of the firm/organisation.

On the other hand, productivity is the ratio between the output (good or service) produced and the inputs used in producing that output. It therefore, measures how efficiently the production inputs such as labour (workers/employees), capital, land, etc. are utilised in an economy or a firm to produce a given level of output. During the production process, productivity growth occurs in the following manner:

- (1) An increase in output while the levels of input (labour, land, capital) used remain the same (unchanged);
- (2) Output is increasing at a greater rate than the levels of input.

Conversely, productivity would decline if:

- (1) Output is increasing at a lower rate than the levels of input; hence even if output increased, productivity would have fallen;
- (2) Output is falling while increasing the levels of inputs.

Efficiency and Productivity

In business, it is important to be able to manage both efficiency and productivity in order to be successful. Efficiency is determined by the amount of time, energy or resources that are used up in producing a good or service. Therefore, the difference between productivity and efficiency is the same as the difference between quantity and quality. Finding the right combination of productivity and efficiency helps to optimize output while minimizing losses.

While efficiency is required to improve productivity, it must be noted that this is not the only condition for productivity. However, both effectiveness (the degree to which the relevant goals or objectives are achieved) and efficiency (the ratio of output generated to the expected output prescribed) are necessary in order to be productive. Therefore productivity improvements can result in greater efficiency and effectiveness.

Customer Satisfaction and Productivity

Customer satisfaction measures how well the expectations of a customer concerning a product or service have been met. In measuring customer satisfaction, a firm usually focuses on the quality of its products, value of product relative to price, timeliness in accessing the service or product, availability of sales assistance, time taken at checkout, delivery time and general organisation environment.

Good customer satisfaction ensures that less time is taken by a firm to handle unhappy customers, therefore leading to a more productive environment. Therefore, customer satisfaction is a must for any business aiming for success. This is simply because it guarantees customer loyalty and from a business standpoint a loyal customer is reliable investor.

Productivity Improvements

Through the ongoing discussions, a number of factors that influence the enhancement of productivity were highlighted including:

- The availability and quality of labour resources, especially the skilled and semi-skilled workforce
- The quality of the education and training system

- The quality of social, physical and technological infrastructure
- The innovative capacity of both the public and private sectors as well as the incentives to innovate
- The level of research and development undertaken
- The availability and quality of capital
- The flexibility of the labour market
- The level of business taxation and regulatory regime
- The mindset of our people and the willingness to change

While the discussions continue, it is important to note that we all must be part of the ongoing process of improving productivity in Saint Lucia. Being productive should be the aim of every individual regardless of age or situation. As a productive business/sector/agency/individual, we all have our part to play in increasing productivity growth in Saint Lucia which ultimately lead to an improvement in the standard of living for the citizenry.