

Chapter 41

Production and Productivity

1. Production

: involves converting resources into goods and services. These goods and services are provided to satisfy the needs and wants of people. When making products businesses may use different production methods.

1.1 Job production

: method of production that involves employing all factors to complete one unit of output at a time. eg. Wedding dress

1.2 Batch production

: method that involves completing one operation at a time on all units before performing the next.

: Many products are made using batch production, particularly in engineering the clothes industry and food processing.

1.3 Flow production

: Large-scale production of a standard product, where each operation on a unit is performed continuously one after the others, usually on a production line.

: The main features of flow production are

- Large quantities are produced
- A standardised product is produced
- A semi-skilled workforce, specialising in one operation only is employed
- Large amounts of machinery and equipment are used

2. Labour intensive and capital intensive

2.1 Labour-intensive

: production methods that make more use of labour relative to machinery.

2.2 Capital-intensive

: Production methods that make more use of machinery relative to labour

3. The impact of using different types of production

3.1 Job production

Advantages	Disadvantages
<ul style="list-style-type: none">- The quality of output from job production is usually very high.- Workers are likely to be motivated because the work is varied.- Some customers are prepared to pay more if their product is unique.	<ul style="list-style-type: none">- Production may be slower and lead times longer. This is because craft workers take longer than machines to carry out their tasks.- Job production is also likely to be more expensive than other methods

3.2 Batch production

Advantages	Disadvantages
<ul style="list-style-type: none">- Unit costs are likely to be lower when batch production is adopted. This is because output is higher, workers can be more specialised and more use is made of machinery.- Production is also flexible because orders with different measurements, styles or specification can still be met.	<ul style="list-style-type: none">- Planning and co-ordination may be more difficult. If a particular operation takes longer than all other in the production process, it is important that resources employed on other operations are not kept waiting.- The work may be less interesting for workers because of specialisation.

3.3 Flow production

Advantages	Disadvantages
<ul style="list-style-type: none">- Output can be produced very quickly and the speed of production can usually be varied to deal with changes in demand.- Also, some modern technology is so sophisticated it is possible to produce quite flexibly.	<ul style="list-style-type: none">- High set up cost- Employee motivation may be low because of the repetitive nature of production line work.- Products also tend to be more standardised.

4. Productivity

: rate at which goods are produced, and the amount produced, especially in relation to the work, time and money needed to produce them.

$$\text{Labour productivity} = \frac{\text{Total output}}{\text{No. of workers}}$$

$$\text{Capital productivity} = \frac{\text{Total output}}{\text{Capital employed}}$$

: Businesses will try to increase productivity because they will lower costs and make more profit.

5. Increasing labour productivity

5.1 The government invests more in education by providing more equipment for schools and improving the quality of teaching.

5.2 People are better motivated at work.

5.3 Labour is organised and managed more effectively.

5.4 Labour is flexible.

6. Increasing capital productivity

: Capital productivity usually increases when new technology is introduced. This is because new technology is more efficient. Productivity is also likely to increase if production becomes more capital intensive.

6.1 Downsizing

: Process of reducing capacity usually by laying off staff

6.2 Relocation

: Businesses often relocate their operations to improve efficiency.

6.3 Outsourcing

: Work currently done by a business is given to specialists who can do the same work at a lower cost.

6.4 Lean production

: Reducing the amount of resources used.

7. The impact on business of productivity improvements

7.1 Financial impact

: Average cost reduce and profit possible to increase

7.2 Competitiveness

: If a business can improve productivity it will be more efficient. This will help the business to secure a competitive edge.

7.3 Workforce

: If a business introduces measures to improve labour productivity, clearly the workers are likely to be affected.

7.4 Customers

:Customers are likely to benefit if a business tries to improve productivity.

Advantages

- Average cost drops could result in lower prices
- Improve productivity might result in a better product or services for customers.

