

Chapter 44

Factors of production

1. Factors of production

: resources used to produce goods and services-including land, labour, capital and enterprise.

Factors of production	Meaning
1. Land	: Land includes natural resources, such as coal, oil, iron ore, rainwater, forests, rivers and fertile soil
2. Labour	: People employed in a business/ used in production
3. Capital	: is often said to be artificial resources because it is made by labour. - Working capital or circulating capital : refers to stocks of raw materials and components that will be used up in production. - Fixed capital refers to the factories, offices. Shops, machines, tools, equipment and furniture used in production.
4. Enterprise	: responsible for setting up and running businesses. What is the role of entrepreneurs? - They come up with business idea. - They are business owners. - Entrepreneurs are risk takers. - Entrepreneurs are responsible for organising resources.

2. Specialisation and the division of labour

: Specialisation in business : the production of a limited range of goods.

: Division of labour : specialisation in specific tasks or skills by an individual.

The division of labour will increase productivity for the following reasons

- Workers concentrate on the task that they do best
- Workers' skills improve as they regularly repeat the same task
- Time is saved because workers are not switching from one task to another.
- The organisation of production is easier.

However, it does have disadvantages

- Work can become tedious and boring because of repetition.
- Also, when one stage of production depends on another, there may be delays if one stage breaks down or is delayed.

3. Labour-intensive and capital-intensive

3.1 Labour -intensive : production process mainly based on labour

3.2 Capital-intensive : production process mainly based on capital