

Methodological Issues in Measurement of Productivity

A K VasudevAchary*

The growth of an economy depends upon the rise in output due to the use of various factors like land, labour and capital and the mix of the above factors. Recent research in economics give us that many of the countries have obtained even forty to seventy per cent of their growth from the dynamics of the productivity factor. We know that everyone aims at higher productivity; there is ambiguity as to what constitutes productivity, how to measure it, and how to detect empirical investigation and choose concepts, which are nearer to theoretical advance and real third world economies. Empirical investigation of productivity trends both at micro and macro levels poses serious conceptual and practical problems. Researchers has to make compromises in quantifying the variables and should attempt to move nearer to the real world of state affairs, keeping this in view, we scanned methodologies for quantifying inputs and outputs, and computation of partial and total productivity indices. Conventional methodology moulded in Neo-classical format is not relevant to evaluate productivity in third world economies due to unrealistic assumptions. Two alternatives may be suggested. One of the alternatives is in terms of the Post-Keynesian strand of thinking. The second alternative may be from the angle of practical businessman viz. increment in productivity per Rupee investment.

Introduction

Productivity growth has been a major contributing factor in the economic growth of many industrialized economies, and many studies dealing with the measurement of productivity growth at the economy, sectoral and firm level have been undertaken during last so many years for different countries in the world. Productivity generally refers to the efficiency with which inputs are transformed into desired output. It provides an attempt to relate the aggregate impact of all inputs to output. It is the residual change in output after having accounted for the independent effects of all inputs.

* Associate Professor, Department of Economics, Osmania University, Hyderabad 500 007 (A.P); E-Mail: akvchary@rediffmail.com