

DEFINING AND MEASURING PRODUCTIVITY¹²

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Abstract: Productivity is commonly defined as the ratio of output to input, but it is a multidimensional construct influenced by unit selection, analytical level, and market context. It is related to other concepts including technical efficiency, allocative efficiency, value added, and profitability. Key complexities arise from aggregation problems across heterogeneous inputs and outputs. Some of these are resolved with the use of monetary rather than physical measures, but this does not resolve all issues. Productivity manifests differently across operational, firm, sectoral, and national levels. Its measurement, while useful for benchmarking, cannot independently identify causal factors driving performance improvements.

Keywords: productivity, efficiency, labour, capital, production, value added.

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