

Cost of wages and lack of competence the greatest obstacles to productivity improvement

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According to small and medium-sized enterprises, sizable social security and other wage-related costs still form the single greatest obstacle for improving productivity. Additionally, a lack of competence among supervisors was also seen as an obstacle for productivity. This information is from a newly published survey by the Lappeenranta University of Technology (LUT), which is a follow-up to a study on the obstacles that restrain the productivity of companies published in 1997. A total of 239 representatives from Finnish small and medium-sized enterprises responded to the new survey. The survey looked into both the external and internal obstacles for productivity improvement experienced by companies.

The results of the survey reveal that there have been three shifts in the key obstacles that have restrained the improvement of productivity since 1997. First, the most significant obstacles to the improvement of productivity have shifted from internal to external obstacles. In addition to the size of ancillary costs, other obstacles include considerable wage costs, the impact of economic trends, legislation and other instructions, as well as trade union activities by employees.

Second, in 1997, the most significant obstacles were linked to a shortage of resources experienced by companies, whereas in 2014 a lack of competence was observed as a key obstacle. This study identified shortcomings in the competence and education of supervisors as the key

internal obstacle restraining productivity improvement, clearly passing lack of competence among employees, which had previously posed a challenge.

Recommendations for remedying the situation

According to researchers, in future, companies must pay closer attention specifically to the competence of their supervisors. Researchers stated that organisations have thinned out and, as a result, the role and significance of individual supervisors has grown.

"Companies must see to facilitating the further education of their supervisors. Supervisors must also personally ensure that they have the required competence and maintain it. This requires a willing and active perspective with regard to further education and up-keeping one's knowledge," Senior Researcher Sanna Pekkola (MSc) emphasises.

According to the report, society must also offer a better setting, conditions, and opportunities for growth of productivity, and encourage entrepreneurship and development of activities by e.g. dismantling regulations and decreasing costs.

Additionally, the report finds that companies must carry out practical procedures to promote productivity in the workplace and invest in their personnel's training and development. This entails a continuous pursuit for new ideas, innovations, approaches and work methods and a fostering form of management supported by rewards that promote [productivity](#) improvement.

Provided by Lappeenranta University of Technology

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